



Central University of
Technology, Free State

**AN INVESTIGATION OFER RETENTION ACTIVITIES
EMPLOYED BY NATIONAL FOOD- AND CLOTHING RETAIL CHAIN
BUSINESSES IN THE BLOEMFONTEIN AREA**

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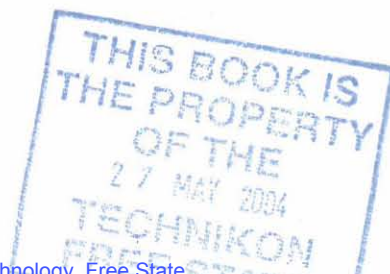
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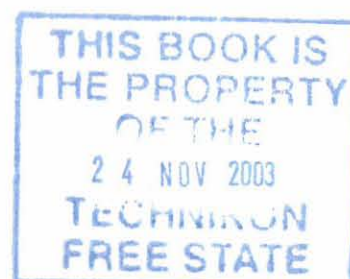
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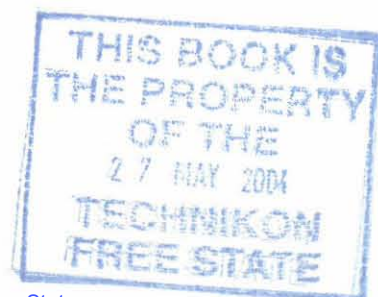


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|-------------------------------|---------------------------------|
| 1. Ackermans Mimosa | 23. Pepstores Hangerstraat |
| 2. Ackermans Maitland | 24. Pick 'n Pay Brandwag |
| 3. Checkers Westdene | 25. Pick 'n Pay Hipermark |
| 4. City Girl Mimosa | 26. Pick 'n Pay Noordstad |
| 5. Edgars | 27. Queenspark Mimosa |
| 6. Eric Spar Langenhovenpark | 28. Rite Value Bloemgate |
| 7. Foschini Hyperama | 29. Rite Value Curielaan |
| 8. Foschini Middestad | 30. Rite Value Fauna |
| 9. Foschini Mimosa | 31. RJL Mimosa |
| 10. Hyperama | 32. Shoprite Checkers Middestad |
| 11. Jet Maitlandstraat | 33. Smileys Sanlam Plaza |
| 12. Kwikspar Heuwelsig | 34. Spar Prellerplein |
| 13. Markhams Mimosa | 35. Spar Zastronstraat |
| 14. Markhams Noordstad | 36. Topics Sanlam Plaza |
| 15. Mr Price Loch Logan | 37. Topics Mimosa |
| 16. Mr Price Middestad | 38. Topics Noordstad |
| 17. Mr Price Mimosa | 39. Truworths Middestad |
| 18. Mr Price Noordstad | 40. Truworths Mimosa |
| 19. Mr Price Sanlam Plaza | 41. Truworths Noordstad |
| 20. Multisave Superliner | 42. Woolworths Maitlandstraat |
| 21. Pep stores Maitlandstraat | 43. Woolworths Prellerplein |
| 22. Pep stores St Andrews | |



**DECLARATION WITH REGARD TO
INDEPENDENT WORK**

I, CHARLORENE CECILIA ERWEE, identity number 630625 0069 080 and student number 9014608, do hereby declare that this research project submitted to the Technikon Free State for the Degree MAGISTER TECHNOLOGIAE: MARKETING, is my own independent work; and complies with the *Code of Academic Integrity*, as well as other relevant policies, procedures, rules and regulations of the Technikon Free State; and has not been submitted before to any institution by myself or any other person in fulfilment (or partial fulfilment) of the requirements for the attainment of any qualification.



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CHAPTER 1

SUMMARY AND BACKGROUND OF THE RESEARCH PROJECT

1.1 INTRODUCTION

In this chapter several aspects concerning customer retention strategies (relationship marketing), have been addressed. Firstly, the reason for the study is addressed and some background information is given. The problem is then stated and the primary and secondary objectives of the study, based on the problem statement, are outlined. An explanation of the research methodology is also provided. Finally, a detailed outline of the main components of the research project is presented.

1.2 BACKGROUND

Relationship marketing is an entire marketing philosophy in itself. The old paradigm (a system of mass production, mass media and mass marketing) is being replaced by a totally new paradigm - a one-to-one approach. It is characterised by customised production, individually addressable media and one-to-one marketing. Products and services have to be tailored to individual

tastes to gain long-term customers and lifetime values (Peppers and Rogers, 1997a:23).

Customer retention is about knowing who your customers are, where they live, keeping track of everything they buy, and determining if they were satisfied with their last purchase (Geller, 1997:58).

Approximately 95 percent of large businesses' profits come from long-term customers (Geller, 1997:58). Therefore it is of utmost importance to persuade the most loyal customers to come back again and again.

According to Van Greunen (1997:18), a senior partner at the Network of Training, many industries are experiencing significant changes in their traditional markets, as well as in the traditional way of doing business with customers. The traditional approaches simply are not appropriate anymore.

How to build a relationship with customers is much more than just a smile and being helpful to them. The key to increasing a business' market share is to know your customers on an individual basis. It is important to know which consumers will never purchase the product at all, and who the loyal customers are, so that the business can make sure that they get what they want. A better competitive advantage will also be gained (Payne, 1995:20).

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A relationship with a customer is just like a relationship with a friend. It is also based on aspects such as trust, privacy protection, emotional support and tolerance for other relationships. The most important aspect of this relationship is its inherent individuality. Every relationship is different, because every customer has different needs and wants. It is also based on the inputs of “both” parties - marketers and consumers (Peppers and Rogers, 1997a:1).

This new paradigm is therefore a process where a win-win relationship (which is based on mutually satisfying trust and respect for the needs of both parties - the buyer and the seller), replaces the traditional way of doing business. Trying to manipulate and control the customers is now out-of-date. Today’s buyer is more value-conscious, therefore it is of importance for the salesperson to understand the demands and expectations of the “NEW-VALUE CUSTOMER” (Butz, *et al*, 1996:63).

The salesperson has become a facilitator in this new process - he has to help the buyer moving through the buying process. The salesperson is facilitating the selling process because people buy for their own reasons. Therefore it is important to maintain a good quality relationship with the customers of the business. Customers expect to be treated as valued long-term partners and not just as a one-time sale. Salespeople also have to refocus their thinking to a more customer-oriented philosophy. Their primary objective should be to provide a solution to a customer’s problems (Parasuraman, 1997:154).

Customers are getting tired of mass marketing, target marketing and phoney relationship marketing. They are being overloaded with a barrage of messages, overwhelmed by the proliferation of choices in the store shelves as well as in their mail boxes. Therefore it is important to determine which strategies are the most effective to build non-traditional relationship marketing (Peppers and Rogers, 1997a:1).

It is very important to operate a business with sufficient customer information - knowing who your customers are, as well as keeping track of those customers who are responsible for the income of the business. It is therefore essential to run a business with a comprehensive information system (Palmquist, 1999:29).

It is very important for the business to have a customer review process in place. It is a means whereby the company can actively manage customer relationships and treat them as valuable corporate assets (Brown, 1997b:12).

The repetition of this customer review process can lead to improvement of an organisation's relationship with its customers. Employees become more skilful at anticipating and fulfilling customers' needs. Through the exploitation of new opportunities the sales of existing products and services can increase. The information that the organisation receives from its customers' base can be used to take immediate action to strengthen existing relationships and identify those that are in trouble (Brown, 1997b:12).

For marketers today, customer retention has become a primary concern.

In the early 60's, businesses knew all their customers individually and how frequently they shopped. Today it is actually very rare that any business follows up on its customers. Geller (1997:58) states that customers are being ignored by businesses after the sale.

It costs far more to get new customers than to retain existing customers; therefore it is important for retailers to realise that they can no longer afford to lose customers to their competitors (Johnson, 1994:36).

According to Cross and Smith (1994:20), retailers are still using traditional retail marketing methods today, such as mass media advertising, to interact with their customers.

In South Africa today, many marketers ensure that their advertising and promotional campaigns carry messages about service excellence, whilst customer care in this country remains inadequate relative to other countries in the world (Dorrain, 1997a:16).

One of the most effective ways of generating customer appreciation and possibly even loyalty, is by implementing genuinely corrective measures that will put

matters right when things go wrong. The real measure of the business's willingness to care for its customers is its reaction to problems that occur before, during or after the sale has been made (Dorrain, 1997a:16).

Customers who are dissatisfied with the treatment they receive from the business, often do not complain. They just go away quietly and sometimes never come back to that business. This represents a serious financial loss for businesses whose personnel don't know how to treat customers. Selling more goods to fewer people is more efficient - more profitable. But most businesses still try to sell their products to a large number of people. This is no longer good enough if you want to survive (LeBoeuf, 1989:13).

1.3 PROBLEM STATEMENT:

The core problem investigated in this research study was to determine if businesses have any customer retention strategies in place. If they do not employ customer retention strategies effectively, they might lose customers and do not even know that a problem exist.

For marketers today, customer retention has become a primary concern. Years ago, businesses knew all their customers individually and how frequently they shopped. Today it is actually very rare that any business follows up on its

customers. Customers are being ignored by businesses after the sale (Geller, 1997:58).

1.4 OBJECTIVES OF THIS SURVEY:

The primary objective of this research project is:

- To determine if national food- and clothing retail chain businesses, which are situated in Bloemfontein, employ customer retention- and relationship marketing strategies.

Secondary objectives will be as follows:

- A literature study regarding the concept of relationship marketing;
- Determine the customer service standards of the participants of this research study;
- Determine if retail businesses apply and employ customer loyalty practices and database marketing principles;
- At the end of this study, and after an evaluation of the findings of this research, recommendations will be made by means of a relationship marketing model.

1.5 CHAPTER LAYOUT AND WORKPLAN:

CHAPTER TWO introduces and defines the concepts of relationship marketing. The definition of relationship marketing as defined by several authors (Berry, 1983; Christopher, *et al*, 1991; Cram, 1994; Evans and Laskin, 1994; Grönroos, 1994 and Gummesson, 1995); the process of relationship marketing, and the basic components of the relationship marketing strategy are addressed in this chapter.

CHAPTER THREE discusses customer service as an important component of relationship marketing (Christopher, *et al*, 1991:5). Setting standards and the importance of measurement of customers' expectations and satisfaction are also addressed in this chapter.

Many businesses today strive to develop and keep customers. According to Duffy (1998:435) the strategies and objectives of relationship marketing are based on the concept of customer acquisition and retention. CHAPTER FOUR pays attention to this very important aspect of how to build and retain a loyal customer base. This chapter also addresses important issues such as creating customer value, the role of customer loyalty schemes, and also the role of database marketing in retaining customers.

CHAPTER FIVE gives an overview of the research methodology used.

CHAPTER SIX presents and discusses the findings of the empirical survey which was undertaken to determine to which extent the retail businesses in the Bloemfontein area employ customer retention activities as addressed in the literature study.

CHAPTER SEVEN makes certain recommendations to the retail industry and also identifies aspects for further research.

1.6 SUMMARY

The researcher hopes that after completion this project will make a vast contribution to the application of a relationship marketing strategy in the retail business.

“Relationship marketing recognises that customers are a business’s greatest assets and they must be placed squarely at the centre of the business.” (McEachern (1998:486).

CHAPTER 2

RELATIONSHIP MARKETING

2.1 INTRODUCTION

In this chapter the development and background of relationship marketing, from the original production orientated phase to the latest developments around relationship marketing philosophies, are outlined. Relationship marketing is addressed in detail. Relationship marketing is defined, described and compared with the more traditional transaction orientated marketing concept.

Attention will be given to the importance of relationship marketing and what customer-retailer relationships entail. The researcher has addressed the linkages between the three elements (marketing, service and quality), which gave birth to the development of the relationship marketing concept.

First, the development and background of relationship marketing have been outlined.

2.2 DEVELOPMENT AND BACKGROUND OF RELATIONSHIP MARKETING

Relationship marketing is the way business was actually done before the industrial revolution, before mass-produced products, and before the existence of mass media (Peppers and Rogers, 1995:16).

The proprietor of a general store, for example, visualised business primarily in terms of customer share. During those days a retailer knew his customers personally and individually. Therefore the retailer could actually solve the customers' problems and give special attention to the most valuable customers. The pre-twentieth century store owner nurtured his customers as individuals - he carried his database in his head (Peppers and Rogers, 1995:16).

During the last century, mass-produced products became increasingly profitable due to the extraordinary efficiency of mass media. Businesses became more transaction focused. Store owners became little more than order takers, stocking their shelves with the goods that consumers learned about through mass-marketing messages (Payne, 1995:20).

Due to the fact that mass marketing came into existence, storekeepers became managers and corner shops were abandoned in favour of supermarkets.

Customers became anonymous and it was proclaimed by experts that loyalty was dead (Penstone, 1999:36).

Today's consumers begin to object to anonymity and they expect to be treated as individuals with distinct preferences. People are tired of being bombarded with mass-marketing messages. If businesses of today do not take their consumers' needs into account, someone else will (Penstone, 1999:36).

Retailers of today are more and more moving towards relationship marketing. The objective of relationship marketing is to build a close relationship with individual customers and to learn as much about the customers' lifestyles and buying habits as possible without invading their privacy. Relationship marketing creates an environment where businesses find out what customers want and try to satisfy their needs and wants (Gordon, 1994:38).

In the 1990's, relationship marketing became the area which received increasing attention and which involves two major considerations. According to Christopher *et al*, (1991:8) marketing has an impact on a wide range of areas at macro level, which include customer markets, employee markets, supply markets, internal markets, referral markets and influencer markets such as the governmental and financial markets. Secondly, at the micro level, it has been recognised that the nature of interrelations with customers are changing (Christopher, *et al*, 1991:8).

The emphasis of marketing, which is changing from a transaction to a relationship focus, is characterised in table 1:

TABLE 2.1 : THE DIFFERENCE BETWEEN TRANSACTION- AND RELATIONSHIP MARKETING

Transaction marketing	Relationship marketing
<ul style="list-style-type: none"> • Focus on single sale • Orientation on product features • Short time-scale • Little emphasis on customer service • Limited customer commitment • Moderate customer contact • Quality is primarily a concern of production 	<ul style="list-style-type: none"> • Focus on customer retention • Orientation on product benefits • Long time-scale • High customer service emphasis • High customer commitment • High customer contact • Quality is the concern of all

Source from: Christopher, *et al*, (1991:9)

From the above table it is clear that the emphasis is shifting from selling to customers only on a short-time scale, with no recognition of the lifetime value, to creating and retaining customers for the future. Thus, businesses are finally beginning to think more long-term than short-term (Futrell, 1999:51).

New perspectives are emerging which recognise that marketing has become broader and company-wide in its scope with the goal of developing a co-

ordinated focus on the customer - known as customer orientation. This has resulted in a re-orientation of the entire business from focusing on the product to focusing on the customer. This closer relationship with the customer has given rise to the concept of relationship marketing.

Authors define relationship marketing differently, but all definitions focus on customer retention and satisfaction, as been described in the next paragraph.

2.3 DEFINITION OF RELATIONSHIP MARKETING

Relationship marketing is a rather complex concept and has been described by different authors as follows:

Berry (1983:25) is of the opinion that relationship marketing consists of attracting, developing and retaining customers.

Christopher, *et al* (1991:22) defines relationship marketing as a process *to turn new customers into regular purchasing clients, and then to progressively move them through to be strong supporters of the business and its products and finally being active and vocal advocates for the business, thus playing an important role as a referral source.*

Cram (1994:19) defines relationship marketing as the consistent application of up-to-date knowledge of individual customers to product and service design which is communicated interactively, in order to develop a continuous and long-term relationship, which is mutually beneficial.

Relationship marketing has been defined by Evans and Laskin, (1994:440), as a customer-centered approach whereby a firm seeks long-term business relationships with prospective and existing customers.

It is believed that relationship marketing can be associated with positive outcomes for firms which includes greater profitability, increased consumer loyalty, creating opportunities for strategic advantage, reduced costs of recruiting consumers and more effective firm planning (Evans and Laskin, 1994:440).

Grönroos (1994:8) defines relationship marketing as follows: *“Marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved, are met. This is achieved by mutual exchange and fulfilment of promises”*.

Gummesson (1995:391) is of the opinion that relationship marketing is not only limited to relationships between suppliers and customers, but includes relationships with other stakeholders, inside and outside the organisation.

Levitt (1983:111) correlates relationship marketing with a marriage, stating that it goes much further than courtship. *The sale merely consummates the courtship. Then the marriage begins. How good the marriage is, depends on how well the relationship is managed by the seller. That determines whether there will be continued or expanded business or troubles and divorce, and whether costs or profits increase.*

A number of interesting aspects can be extracted from these definitions:

- new customers, once attracted, must be converted into regulars;
- loyal customers will become attractive referral sources;
- satisfied customers can develop a sense of ownership towards the organisation;
- customer relationships must be enhanced and not simply be maintained;
- quality, people involvement and keeping of promises are critical success factors in relationship marketing;
- usually long-term relationships are formed to the benefit of all parties;
- strengthening of the relationship is the responsibility of the seller.

From the above-mentioned definitions, the researcher developed the following definition to be used as a basis for the research:

Relationship marketing is a process with the objective of transforming new customers into regular advocates for the organisation. The marketer strengthens these relationships through conscious management with critical factors such as quality and people involvement, resulting in a mutually beneficial and profitable relationship between all parties involved. This definition implies that relationship marketing is a creator of value.

2.4 THE VALUE OF RELATIONSHIP MARKETING TO THE CUSTOMER

Long-term relationships have long-term benefits. These benefits have a value, which may be financial, economic or social. Different stakeholders of the organisation attach different meanings to the value, which includes its customers (Cram, 1994:33-36).

Shareholders, owners or proprietors expect to receive a return on their investment - an expectation of consistency and certainty of profitability. Employees and managers expect from the organisation an income, probably security of employment, job satisfaction, possibly training and development. They have families who depend fully or partially upon them. Communities have some degree of dependency on organisations. Consumers, customers, retailers, distributors and agents will look for product or service performance, image or range enhancement and continuity of supply. Suppliers and service providers want continued and growing business, regularity of payment, ideas and

suggestions for improvement. Even competitors may benefit from the value created by a rival, because the rival may open up new market sectors (Cram, 1994:33-36).

To gain competitive advantage a business must promote value to its customers through performing activities more efficiently than its competitors (lower cost advantage) or performing activities in a unique way that creates greater buyer value (differentiation advantage) (Christopher, *et al*, 1991:46).

According to McEachern (1998:486) relationship marketing recognises that customers are a business' greatest assets and that they must be placed squarely at the centre of the business. Only focusing on the customer does not necessarily make the business customer-centric. This can be seen as a giant first step, where each functional area of the business is directing its efforts towards the customer and with the customer's needs in mind. Placing the customer at the centre, however, does not guarantee success. Three key aspects of value creation must be taken into consideration:

- To establish true value, dialogue and feedback play an essential, integrating role in meeting customers' needs. Each interaction with a customer gives the enterprise access to information about that particular customer which would otherwise be completely unavailable (Peppers and Rogers, 1997b:23);

- A business must co-ordinate all customer contact under a comprehensive and related effort (McEarchern, 1998:486); and
- Promotion and sales-efforts must be customer-focused, rather than product-focused (McEarchern, 1998:486).

Co-ordinated, two-way communication between an enterprise and its customers results into delivering value to customers in the most effective ways. Utilisation of relationship marketing recognises both the current and potential value of each customer and how best to allocate resources in order to increase customer value and retention (McEarchern, 1998:487).

2.4.1 Essential principles to be considered by businesses to build customer value

McEarchern (1998:487) suggests six principles, which businesses must understand and execute in order to build customer value. Customer value is an essential part of relationship marketing. These six principles are:

- Businesses must understand who the customers are and what they perceive as valuable. It requires that the business must understand what products and what levels of service are important from their customers' perspective;

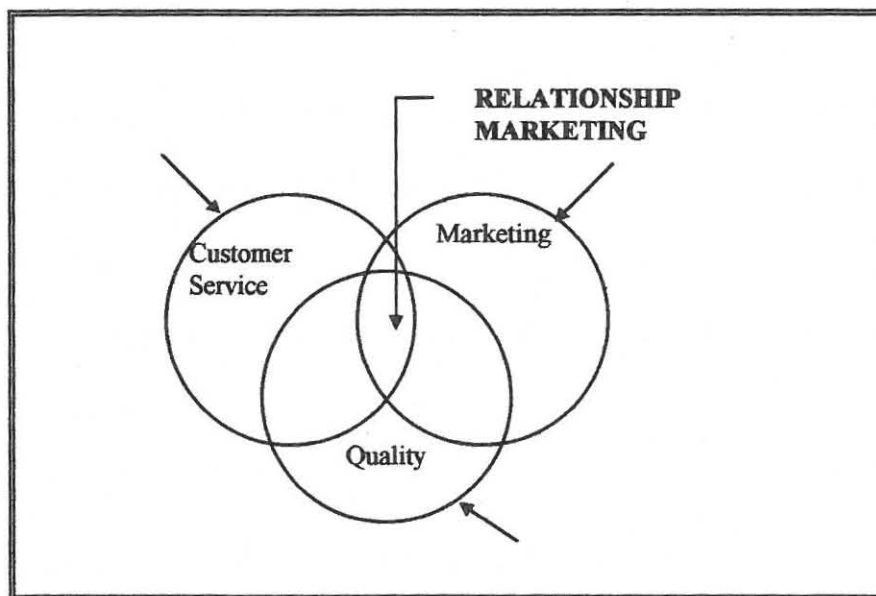
- Businesses must select their customers carefully - concentrate on those customers who will be profitable for the business;
- Businesses must offer products and services that deliver extraordinary value to the customers they wish to keep;
- All employees, especially front-line staff, must have both the training and the tools to deliver customer value; and
- If true value is delivered to carefully selected customers, they will be loyal, therefore constant refinement of the value proposition is essential to ensure customer loyalty and retention (McEarchern, 1998:487).

In relationship marketing, the customer helps the business in providing the benefit bundle that the customer values. Value is thus created with customers and not for them. Therefore, it is essential for businesses to recognise the value of customers over their purchasing lifetimes. In recognising the lifetime value, relationship marketing seeks to bond progressively more tightly with customers (Gordon, 1998:10).

2.5 RELATIONSHIP MARKETING : SYNERGY BETWEEN QUALITY, CUSTOMER SERVICE AND MARKETING

Marketing is concerned with exchange relationships between the organisation and its customers, and quality and customer service are the key linkages in this relationship (Christopher, et al, 1991:4). Figure 2.1 shows the linkages between these three areas that must be exploited to achieve total customer satisfaction and long-term relationships.

**FIGURE 2.1: THE RELATIONSHIP MARKETING ORIENTATION:
BRINGING TOGETHER CUSTOMER SERVICE, QUALITY AND
MARKETING**



Source from: Christopher, et al, (1991:4)

The above-mentioned elements, as illustrated, will be addressed in detail.

2.5.1 Quality

Quality, the first of the three pillars of relationship marketing, is perceived by customers as a broader concept than what management attaches to it (Grönroos, 1990:36). Management must view quality in the same light as customers, otherwise resources may be wasted on irrelevant actions. Quality therefore is what the customers perceive it to be. Nothing more, nothing less.

The meaning of quality is subjective, but that does not mean that it can be ignored. Instead, that is the reason why its achievement takes a variety of forms adapting to the perception of individual customers. From a relationship marketing point of view, quality must be perceived from the viewpoint of the customer (Christopher, *et al*, 1991:7).

It is of particular importance to services industries that poor quality is detected before it happens rather than to try to rectify it later in the process. Bateman and Zeithaml, (1993:582) states a bias towards quality as a prerequisite to quality improvement. This means a total commitment to quality in every business function.

According to Walker, *et al*, (1992:306) a business cannot only differentiate its offering with differences in product designs, features or performances. Customer service can effectively help to maintain an advantage over

competitors. It is vital for any organisation to understand which dimensions customers perceive as important, to underlie differences in quality. A number of these dimensions were identified for product- and service quality respectively.

2.5.1.1 Dimensions of product quality

The dimensions of product quality impact on relationship marketing and are portrayed in Table 2.

TABLE 2.2 : DIMENSIONS OF PRODUCT QUALITY

*Performance	How well does the washing machine wash clothes?
*Durability	How long will the lawn mower last?
*Conformance with specifications	What is the incidence of product defects?
*Features	Does an airline offer a video and dinner on its flights?
*Reliability	Will each visit to a restaurant result in consistent quality?
*Serviceability	Is the product easy to service? Is the service system efficient, competent and convenient?
*Fit and finish	Does the product look and feel like a quality product?
*Brand name	Is this a name that customers associate with quality? What is the brand's image?

Source from: Walker *et al* (1992:307)

Richardson and Robinson (1986:12) are of the opinion that services organisations must be cautious against creating false expectations with customers without the ability to deliver. According to Kotler (1994:40)

expectations are based on a buyer's past experience, word-of-mouth referrals, marketing information and promises made by the organisation.

2.5.1.2 Dimensions of service quality

The dimensions of service quality also have an impact on relationship marketing and are illustrated in Table 3.

The dimensions as portrayed below pertain to both the service delivery system (reliability and responsiveness) as well as to elements of the performance of service personnel (empathy and assurance) (Walker, *et al*, 1992:308).

TABLE 2.3 : DIMENSIONS OF SERVICE QUALITY

*Tangibles	Appearance of physical facilities, equipment, personnel and communications materials
*Reliability	Ability to perform the promised service dependably and accurately
*Responsiveness	Willingness to help customers and provide prompt service
*Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence
*Empathy	Caring, individualized attention the firm provides its customers

Source from : Walker, *et al* (1992:308)

Quality of service is furthermore divided into the two dimensions of technical and functional quality. Technical quality being the result of the ability and know-how of a firm. Functional quality of service comprises aspects such as:

- Staff attitudes;
- Internal relations;
- Service mindedness;
- Approachability;
- Customer contacts;
- Appearance and personality of staff;
- Accessibility of location; and
- Access to specialised staff.

(Richardson and Robinson, 1986:14)

The quality of the service offering is affected by customer participation and depends on:

- the ability of the customers to identify their needs or problems;
- their understanding of the time constraints involved in delivering the service;
and
- willingness to co-operate in the process (Grönroos, 1990:80).

Total perceived quality therefore depends on the difference between expected and experienced quality.

2.5.1.2.1 *Criteria for good service quality*

In table 2.4 Grönroos (1990:42) describes six criteria that are deemed essential to create a perception of good service quality with customers. Good service quality helps to build good customer relations. It is furthermore stated whether the specific criterium is outcome-, process- or image related.

These criteria again can be linked to the technical and functional dimensions of service quality. Professionalism and skills is outcome-related and therefore a technical quality dimension. Reputation and credibility are image-related. The other four criteria are clearly process-related and represent the functional quality dimension. This list is not exhaustive and the importance of criteria might differ from one industry to another (Grönroos, 1990:46).

Christopher *et al* (1991:5) explains that the provision of quality customer service involves understanding what the customer buys and determining how additional value can be added to the product or service being offered.

TABLE 2.4 : THE SIX CRITERIA OF GOOD PERCEIVED SERVICE QUALITY

1.	PROFESSIONALISM AND SKILLS The customers realise that the service provider, its employees, operational systems and physical resources, have the knowledge and skills required to solve their problems in a professional way (outcome-related criteria).
2.	ATTITUDES AND BEHAVIOUR The customers feel that the service employees are concerned and interested in solving their problems in a friendly and spontaneous way (process-related criteria).
3.	ACCESSIBILITY AND FLEXIBILITY The customers feel that the service provider, its location, operating hours, employees and operational systems, are designed and operate so that it is easy to get access to the service. The service provider must also be prepared to adjust to the demands and wishes of the customer in a flexible way (process-related criteria).
4.	RELIABILITY AND TRUSTWORTHINESS The customers know that they can rely on the service provider, its employees and systems for keeping promises and perform with the best interest of the customers at heart (process-related criteria).
5.	RECOVERY The customers realize that whenever something goes wrong, the service provider will immediately and actively take actions to find a new, acceptable solution (process-related criteria).
6.	REPUTATION AND CREDIBILITY The customers believe that the operations of the service provider can be trusted and gives adequate value for money, and it stands for good performance and values which can be shared by customers and the service provider (image-related criteria).

Source from: Grönroos (1990:47)

Quality service must however be supported by a quality product. Kotler (1994:57) makes an extremely important point in stating that a quality drive cannot compensate for product deficiencies.

2.5.1.3 *Difference between experienced and expected quality*

If experienced and expected quality does not match, it can have a negative impact on the relationship between the business and its customers. Any marketing campaign that creates expectations about either functional or technical quality that cannot be met, will ultimately lead to higher expectations and a widening of the gap between expected and perceived service. This will lead to an increase in dissatisfaction and a deteriorating corporate image. The level of total perceived quality is not determined by the level of the technical or functional quality dimensions, but by the gap between the expected and experienced quality (Richardson and Robinson, 1986:13).

Grönroos (1990:38) describes technical quality as what the customer receives and functional quality as how the customer receives it. Functional quality is therefore perceived subjectively and is more complicated to manage. More often than not, technical quality is thought of as the paramount quality issue. However, excellent technical quality can be nullified by badly managed buyer-seller interactions that are functional quality.

Managing the buyer-seller interactions in which functional quality is perceived, is considered a more influential part of marketing than traditional marketing activities (Grönroos, 1990:42).

The situations in which the customer meets the resources and the ways of operating of the service provider, are critical to the quality experience. The organisation has the opportunity, through its employees, to demonstrate the quality of its service. Once this contact is over, it is very difficult to change, correct or add further value to the perceived service quality without spending considerable time, effort and money (Richardson and Robinson, 1986:13).

2.5.2 Customer service

The second pillar of relationship marketing is customer service. A new vision of customer service has started to emerge. Traditionally much of the emphasis of customer service has been directed towards the getting of customers rather than the keeping of them. This new view of customer service is broader, it is concerned with building bonds with customers and to ensure long-term relationships of mutual advantage (Christopher, *et al*, 1991:5).

Christopher, *et al*, (1991:5) further explains that customer service can be seen as a process which provides time and place utilities for the customer and which involves pre-transaction, transaction and post-transaction considerations

relating to the exchange process with the customer. Many customer service delivery systems are not really managed as systems and are fragmented and uncoordinated series of activities. A basic starting point in the relationship marketing process to manage customer service delivery as a system, is the implementation of "moments of truth" in the business. Each "moment of truth" is an opportunity for the business to demonstrate the quality of customer service in order to enhance the overall perception of service quality in the eyes of the customer (Christopher, *et al*, (1991:137).

Customer service can therefore be summarised as a key activity within the larger marketing strategy, which deals with the development of exchange relationships between customers and sales personnel.

Service industries have unique characteristics which impact on marketing and require special policies and actions. These characteristics are that services are intangible and perishable, they often require substantial customer contact and their quality can vary from one transaction to the next (Walker, *et al*, 1992:100).

- Intangibility - This complicates attraction and retention of customers. It is difficult to experience the service in advance and a customer therefore relies on promises. Hence metaphors and similes (words - like, as) become surrogates for the lacking tangibility. This explains the reassuring decor of banks, uniforms worn by employees and elegant atmosphere of hotels. The

latter becomes the physical evidence of the intangible services being offered. Service businesses therefore have to find ways to make their offerings more tangible to potential customers. These tangibles are often used to evaluate the quality of a service before it is utilised (Walker, *et al*, 1992:100).

- **Perishability** - Service is an experience and by nature it is perishable. Unused time cannot be reclaimed and unoccupied capacity cannot be utilised at peak periods. Capacity must therefore fit demand. Special offerings are often used to smooth out the variability in demand. Marketing can be directed at changing customers' habits, or additional services can be added to utilise personnel and equipment more productively during slow periods (Linton, 1995b: 73).
- **Customer contact** - The physical presence of the customer is another characteristic of many service organisations. Many services are sold, produced and consumed almost simultaneously. Their involvement affects the quality, timing and nature of the service itself. A customer can disrupt a production system in a variety of ways. Last minute changes or cancellations may occur and is completely out of the organisation's control. Because employees interact directly with customers in high-contact service systems, their behaviour and appearance impact directly on the customers' satisfaction with the service (Zeithaml, *et al*, 1990:56).

- **Variability** - Quality control becomes a very difficult task in high-contact services. This fact creates opportunities to custom-made services to fit the customers' needs. The greatest challenge for service firms is to deliver consistent service even at multiple outlets geographically removed (Walker, *et al*, 1992:103).

Walker, *et al* (1992:104) quote that service firms should attempt to "industrialise" their services. This is a sensible suggestion as services are produced, sold and consumed like most products.

In conclusion, developing the service offering is a highly integrated process. A new supporting service cannot be added without taking into account accessibility, interaction and customer participation aspects. Successful implementation of service can be a powerful source of competitive advantage and a useful tool in establishing long-term relationships with customers.

2.5.3 Marketing

Marketing, the third pillar of relationship marketing, has been perceived traditionally as a process of perceiving, understanding, stimulating and satisfying the needs of specially selected target markets by channelling an organisation's resources to meet those needs. According to Christopher, *et al* (1991:7) marketing is concerned with the dynamic interrelationships between a

company's products and services, the customer's wants and needs and the activities of the competition. Grönroos, (1994:8) describe the marketing framework as follows:

- The marketing mix - the important element or ingredients that make up a marketing programme, which is also known as the four "P's" - product, price, promotion and place (distribution);
- Market forces - the opportunities and threats which bear on the marketing operation of an organisation;
- A matching process - the strategic and managerial process of ensuring that the marketing mix and internal policies are appropriate to the market forces.

In the past these three pillars, marketing, customer service and quality have been treated separately and unrelatedly. As a result of this concept, the relationship marketing concept has emerged as the new focal point integrating customer service and quality with a market orientation. Relationship marketing is concerned with recruitment of customers and to keep them for life. Traditionally, much of the emphasis of marketing has been directed towards the getting of customers rather than the keeping of them. Relationship marketing aims to close the loop (Christopher, *et al*, 1991:4).

2.6 CUSTOMER-RETAILER RELATIONSHIPS

Relationship marketing within a retail customer context can refer to relationships the customer has with the business, specific branches/stores/departments, or with individual sales associates (Beatty and Jungki, 1996:224).

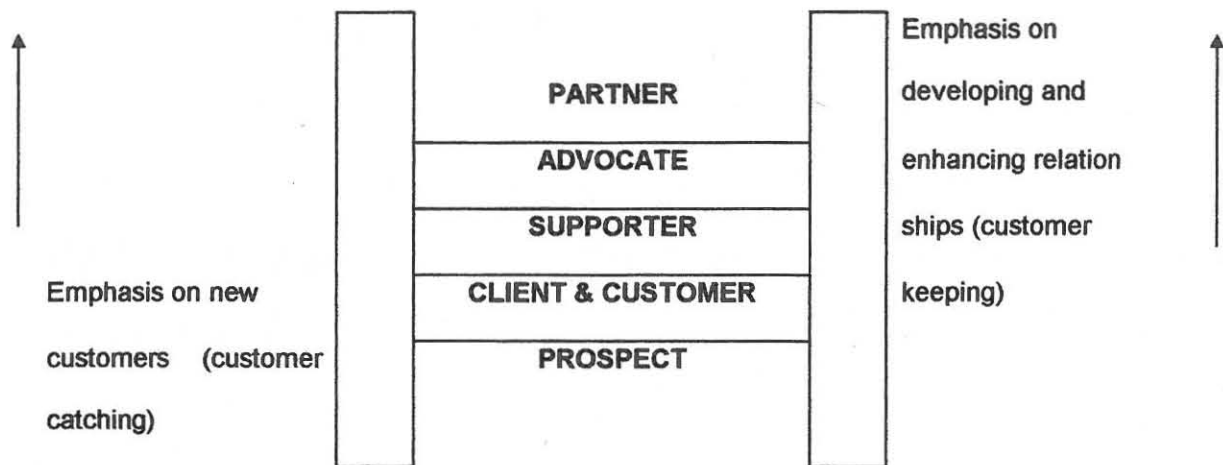
The retention of customers forms the basis of the relationship marketing philosophy. Marketing should not begin and end with clinching the deal, but it must concern itself with keeping and improving the relationship with the customer (Payne, 1994:1).

2.6.1 Relationship Marketing Ladder

The relationship marketing approach views customer loyalty as a ladder. This ladder indicates that there are a number of identifiable stages in the development of a long-term customer relationship (Christopher, *et al*, 1991:22).

Gordon (1998:100) describes each of these stages as subsets of the term customer and refers to it as the bonding process between the customer and the business. This ladder is set out in Figure 2.

FIGURE 2.2 : CUSTOMER LOYALTY LADDER



(Source from: Christopher, *et al*, 1991:22).

The first step on this ladder is to convert the prospect (the target market) into a customer/client. (A customer can be described as someone who has done business with an organisation once or occasionally) (Payne, 1994:1).

The second step is to generate repeat business with that customer/client so that he/she becomes a supporter (Payne, 1994:2).

In the third step Payne (1994:2) illustrates an improvement in the relationship with a client. The client has now climbed to the next step in the relationship and is now called a supporter. According to Payne (1994:2) a client may have been doing business with a bank for years, but may not be particularly happy with it or may even have a negative attitude towards this bank. On the other hand, if the client is a supporter of the bank, the client is positively disposed towards the bank and is quite happy with the bank's services (Payne, 1994:2).

An advocate on the fourth step is someone who is so pleased with the services or products he/she is receiving, that he/she actively recommends the business to others (word-of-mouth communication) (Payne, 1994:3). According to Gordon (1998:103) advocates will stand up for a business and make business referrals (word-of-mouth communication).

The fifth step on the ladder is a partner. At this level a very close and long-term relationship is developed based on satisfaction of mutual needs. This step is particularly applicable to business-to-business relationships (Payne, 1994:2).

Businesses frequently acknowledge that it is easier to sell to existing customers and that they are more profitable than new customers. In spite of this, many businesses still try to attract new customers rather than keeping those that already exist. Businesses are still focusing on the bottom level of this ladder, turning prospects into customers. Little effort goes into keeping the new customers, improving their relationship with the business and progressing them up the ladder. It is very difficult to move customers up this relationship marketing ladder. It is essential that businesses need to know in depth what each individual customer wants and how businesses can continue to add value to the customer offerings (Christopher, *et al*, 1991:22).

In this model, the emphasis in relationship marketing is upon finding appropriate means to move customers up the ladder and to keep them there. Traditional marketing on the other hand, has tended to focus more upon the winning of customers and building market share without any significant attempt to develop strategies for customer retention (Christopher, *et al*, 1991:22).

It is essential to find the appropriate means to move customers up the relationship marketing ladder and to keep them there. Therefore it is essential for businesses to understand how to develop a long-term bonding process with their customers.

2.6.2 Phases in the long-term bonding process

It is essential for businesses to understand each of the phases of this long-term bonding process that can assist businesses in managing their long-term relationship with customers (Grossman, 1998:3). The phases of this long-term bonding process (phases of a relationship) are the following:

2.6.2.1 Courtship

Courtship refers to the period before the sale in which the firm and the consumer get to know each other. The first stages of courtship involve discovery, when information is exchanged between the partners. They seek out information from

the other person and provide information that makes them attractive to one another. In short, individuals present themselves in the early stages of a relationship and determine whether they are compatible. When information does not lead to a joint reality, that relationship is terminated (Grossman, 1998:4).

In relationship marketing, businesses must make themselves attractive to consumers so that consumers will purchase their products. In some cases, consumers may want marketers to find them “attractive”, such as when the consumer desires a credit card. Consumers may benefit when businesses find them attractive and research their needs and wants to provide them with tailored products and services (Peppers and Rogers, 1998:6).

In the courtship phase of a relationship, the individuals not only seek out information, but they expect that the other person is listening and remember some information about them. Learning more about consumers’ needs, wants and desires can help marketers better serve them. Marketers must learn as much as possible about their consumers, but do so by using methods that will flatter the consumer and that will not build suspicion about his motives (Grossman, 1998:4).

If this phase is handled successfully and the consumer has purchased the product, the marketer is now in a good position to build the relationship further by maintaining its existing customer base (Grossman, 1998:5)

2.6.2.2 Maintenance

During the maintenance phase the marketer has already engaged in a successful courtship and the consumer has purchased the product. The marketer can continue building the relationship. The best prospects for developing relationships are businesses' current consumers (Peppers and Rogers, 1999a:155).

Marketers often spend more time and effort in gaining new customers without considering the value of their current customers. According to Grossman (1998:5) businesses lose approximately 20 percent of their customers each year. Sixty-five percent of the average company's business comes from its present customers. It costs five times as much to acquire a new customer as it costs to serve an existing customer. Nineteen percent of unhappy customers will never again buy from a business dissatisfying them and will communicate their dissatisfaction to at least nine other people. Therefore, the maintenance of relationships with current customers is the key to long-term business success.

An important element of the long-term bonding process is trust and will be discussed next.

2.6.2.3 Trust

Trust is considered to be a crucial element in all human interactions. Customer trust includes believing that a business will provide its customers with the next generation of products and services and not just with today's products and services. To build customer trust, customers must reach a high level of satisfaction, which gives trust a chance to develop (Hart and Johnson, 1999:7).

According to Cowles (1997:274), trust refers to the degree of confidence one feels in a relationship and comprises three elements including: predictability, dependability and faith. Each of these elements plays a role in a person's development of trust in his or her partner and to some extent plays a role in a consumer's trust of marketers.

A discussion of the above-mentioned elements will explain the role of each:

- Predictability refers to consistency in behaviour and the stability of the social environment. Marketers can be predictable in their product offering, their customer service, their pricing or their general strategies. Predictability is

based on past experiences in a relationship, which develops over time (Grossman, 1998:6).

- Dependability refers to one's ability to rely on someone. In marketing situations it refers to the knowledge the consumer has that the marketer will be available if something goes wrong (Hart and Johnson, 1999:7).
- Faith requires the individual to look beyond the available evidence and believe that future events will be consistent with past experience. It is therefore essential that marketers continuously communicate to customers that the back-up support services they require, will be available and will be of good quality (Grossman, 1998:6).

Businesses may enhance either trust or commitment with its customers by undertaking certain strategies. Trust is built through positive experiences the consumer has with the firm and the more those positive experiences, the trustworthier the firm is becoming. Consumers who have something to lose by ending relationships with a firm may feel more committed to a firm (Cowles, 1997:3).

2.6.2.4 Commitment

Commitment refers to the tendency to feel attached to the relationship. One way of becoming committed to a relationship is by investing resources in the relationship. Consumers who are committed to a relationship with a business are more likely to be satisfied (Grossman, 1998:6).

Commitment has been described as crucial in determining relationship formation, satisfaction levels of the parties involved and relationship longevity. High levels of commitment are believed to be associated with the perception of future rewards, relationship identification, limited desire to seek out alternatives, investments made in the relationship and the individual's assumed responsibility (Knapp and Taylor, 1994:153).

Marketers who do seek to have meaningful relationships with consumers may find that businesses can differentiate themselves from competitors by using a relationship-based positioning strategy (Grossman, 1998:6).

To practise this relationship-based positioning strategy correctly, businesses need to understand the rationale for undertaking a one-to-one initiative and the basic components of such a strategy (Peppers and Rogers, 1999a:151).

2.7 BASIC COMPONENTS OF A RELATIONSHIP MARKETING STRATEGY

There are four basic components for putting a one-to-one (relationship) marketing strategy to work: identifying your customers, differentiating each customer, interacting with each customer and customising your product or service to fit each individual customer's needs (Peppers and Rogers, 1999a:151).

2.7.1 Identifying your customers

Businesses must identify, as well as know, their customers very well. It is important to learn which customers are the heavy, medium, light and non-users of the business' products. If businesses identify consumers who will never purchase their products at all, it enables businesses to stop spending money and effort trying to win these consumers and trying to change them into customers. Therefore it is vital to learn who are the loyal customers. Loyal customers represent the best prospects for a business' success and are the business' most valued asset. It is important for businesses to take the right actions to ensure they keep their customers forever (Pitta, 1998:5).

2.7.2 Differentiate each customer

Customers are different in two ways - they represent different levels of value and they have different needs. The value of a customer determines how much time

and investment should be allocated to that customer, and a customer's needs represent the key to keeping and to growing that customer's business. Differentiating customers will help a business to focus on efforts to gain advantage with the most valuable customers. A business will then be able to tailor its behaviour to each customer in order to reflect that customer's value and needs (Peppers and Rogers, 1999a:152).

2.7.3 Interacting with customers

Interacting with customers is another fundamental step when practising one-to-one (relationship) marketing. Every contact with a customer represents the opportunity to learn more about the needs and value to the organisation of that specific customer. It is vital for businesses to interact more cost-efficiently with customers, so that they can afford more frequent interactions. Businesses can therefore build stronger relationships more effectively. This effectiveness can be improved by generating timely and relevant information to provide better insight into a customer's needs or a more accurate picture of a customer's value (Peppers and Rogers, 1999a:152).

2.7.4 Customise products for each customer

Producing and delivering a product customised to an individual customer is the most difficult principle to put into practice. The difficulty depends in part on

successful completion of the previously mentioned steps. Customisation creates a firm's biggest competitive advantage. It is only possible by integrating the production process with a firm's customer feedback. In any case, the production or service delivery end of a business must be able to treat a particular customer differently based on what was learned about that customer by the sales, marketing or other departments (Pitta, 1998:6).

The above-mentioned basic components of a relationship marketing strategy can be used as a kind of general checklist to guide businesses in their efforts when implementing a relationship marketing programme (Peppers and Rogers, 1999a:153).

The more a business can implement these above-mentioned steps, the easier it will be for the business to convert itself to a relationship marketing enterprise. Therefore the role of the salesperson in relationship marketing will increase more and more.

2.8 THE SALESPERSON'S ROLE IN RELATIONSHIP MARKETING

Salespeople are the frontline personnel in customer contact situations and are therefore needed to be turned into customer service managers. Peppers and Rogers (1998:6) therefore suggests that businesses should stop paying their

salespeople commission, based on sales, but should rather pay salespeople according to the long-term value of the customer they bring into the business.

The salesperson's role in creating and nurturing relationships is growing in importance due to the increasing focus on building and maintaining relationships with customers. According to Boles, *et al*, (1996:7) in order to build a relationship with a customer, a salesperson must identify and practise the types of behaviour that are most effective in building quality relationships.

Peppers and Rogers (1998:6) is of the opinion that prospects should be divided into different target lists, for example, list A for the potentially most valuable clients and list B for less valuable clients. Salespeople should be remunerated more for signing up a customer from the A list than from the B list. With this method businesses will not acquire new customers as quickly, but it will ensure that the new customers that are being obtained are quality customers.

2.9 SUMMARY

The evolution of marketing has led to the latest development of marketing, namely relationship marketing. This new paradigm is therefore a process where a win-win relationship (which is based on mutually satisfying trust and respect for the needs of both parties - the buyer and the seller), replaces the traditional way of doing business. Trying to manipulate and control the customers is now

out-of-date. Today's buyer is more value-conscious, therefore it is of importance for the salesperson to understand the demands and expectations of the "new-value customer" (Peppers and Rogers, 1997a:12). Satisfied customers should be transformed into regular customers and even active advocates for the business. Customer retention is the main objective.

The impact of quality customer service and marketing was concluded to be pivotal in relationship marketing. Avoidance of discrepancies in expected and perceived quality was highlighted as crucial in delivering service that will be perceived as excellent.

Technical quality and functional quality were described as well as their impact on the image and service delivery of the organisation. The salesperson's role in the delivery of service excellence comes out clearly, and customer service will be discussed in detail in the next chapter.

CHAPTER 3

CUSTOMER SERVICE

3.1 INTRODUCTION

As been discussed in Chapter two, customer service is one of the key linkages in the process of the development of the relationship marketing concept. It has been indicated that good customer service helps to build good customer relations, therefore customer service forms an integral part of this research project.

The focus will be on the expectations of customers towards services rendered by businesses, as well as the factors influencing these expectations. The importance of the development of a corporate service culture within a business, how to develop the organisational structure, how to build staff commitment and how to empower and motivate them, will be outlined. Customer satisfaction, how to focus and monitor customer satisfaction levels, measure service performance and customer satisfaction and lastly, how to reward customer service excellence, will be addressed thoroughly because it forms part of the process of building relationships with customers.

3.2 THE NATURE OF CUSTOMER SERVICE

Customer service has become one of the most important issues facing businesses in all markets. The quality of service is the reason why customers will buy from businesses instead of from their competitors. If a business has a reputation for being a business that cares about its customers, it will give its salespeople a leading edge, by delivering a better service than the business's competitors by means of its service performance. The competitive edge can be achieved by the business's product quality and by word-of-mouth communication, where people tell each other about the business's good service and product quality (Zeithaml, *et al*, 1990:103).

Good customer service is being delivered when businesses meet or exceed their customers' expectations and ensure that all departments, employees and everyone in the business, contributes to customer satisfaction. Excellent service starts at top management level of a business. The owner or manager must introduce service policies that are outstanding and then supervise the implementation from top management level down to all the staff in the business (Moreo, 1998:27).

It is important to recognise that management and staff at every level affect customer care and loyalty. Programmes that build a customer care attitude must

be implemented at every level. Customer service can be conducted in various ways by:

- offering customers the products and services that they really need;
- offering greater levels of convenience which make it easier for customers to buy;
- providing a customer service centre where customers can make enquiries or complaints;
- improving the overall quality of service so that customers recognise a change in performance (Moreo, 1998:27).

The intention with the delivering of superior customer service is to build repeat business with customers, because if they are satisfied with the product and the standards of service they receive, the chances of returning for repeat business will increase (Linton, 1995b:1).

According to Broderick (1998:9) any business that wishes to implement an effective customer care strategy should look for a balance between the physical means of delivering customer service and the customer care attitude of staff.

If businesses indicate that they care about their customers and that they do not neglect them, it will give them an opportunity to use customer service in the

process of building and maintaining relationships with customers (Moreo, 1997b:14).

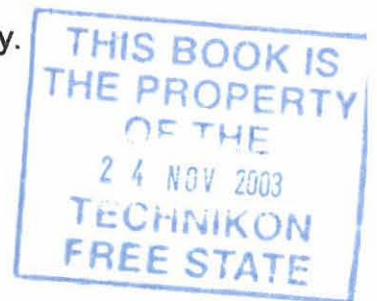
It will now be appropriate to discuss the various elements of customer service, starting with a definition.

3.3 DEFINITION OF CUSTOMER SERVICES

Berman and Evans (1995:20) state that customer service refers to the identifiable, but sometimes intangible, activities undertaken by a retailer in conjunction with the basic goods and services it sells.

Payne (1993:6) defines customer service as *an activity which has some element of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of the service may or may not be closely associated with a physical product.*

Pearce and Robinson (1991:192) describe service as activities associated with providing service to enhance or maintain the value of the product, such as installation, repair, training, product adjustment and parts supply.



A definition given by Christopher, *et al*, (1991:5) states that customer services are concerned with the building of bonds with customers and other markets or groups, to ensure long-term relationships with mutual advantage.

According to Walker, *et al*, (1992:100) service industries have unique characteristics which impact on marketing and require special policies and actions. These characteristics are that services are intangible and perishable, which often require substantial customer contact and the service quality can vary from one transaction to the next.

Grönroos (1990:27) proposes the following definition: *A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.*

Customer service can therefore be summarised by the author as that key activity within the larger marketing strategy, which deals with the development of exchange relationships between customers and businesses' personnel.

Closely related to the definition of customer service are objectives to be achieved with customer services. These aspects will be addressed in the next

paragraphs and with that in mind, the retailer will be able to differentiate the retail offering from its competitors (Terblanche, 1998:260).

3.4 OBJECTIVES OF CUSTOMER SERVICES

The main objective of customer services is to keep one's customers happy and to solve their problems, which is the best defence against competition. If a business' customers are happy, then the business is virtually unbeatable and its customers are more loyal, buy more often and are willing to pay more for the business' products. It is then easier to retain these customers through difficult economic periods as well (Lele and Sheth, 1991:1).

Terblanche (1998:260) divides the objectives of customer service programmes into four categories:

- Building an image of integrity by providing guarantees, product quality, return and exchange policies to customers;
- Providing a comfort and convenience to customers such as convenient parking, store hours, waiting- and rest rooms, mail- and phone order services;
- Ensuring a pleasant shopping environment by providing ample parking facilities, decor and lighting, fitting-room privacy, music and credit account confidentiality; and

- Rendering personal shopping services such as knowledgeable sales personnel, merchandise availability and information on products.

Terblanche (1998:261) states that the above-mentioned service objectives can be related to differentiation (competitive edge), image creation (known for superior service delivering and quality products) and market positioning, and are aimed at maximising the opportunities to increase the retailer's turnover.

The above-mentioned objectives are based on several factors, which in turn determine what level, number, and type of services will be offered by a retailer (Lewison, 1997:783).

3.5 FACTORS DETERMINING THE CHOICE OF SERVICES BY THE RETAILER

The types of services to be offered are all part of the retail marketing strategy and therefore it is important to consider all relevant factors, which can influence the effectiveness of the marketing strategy (Linton, 1995b:4).

According to Lewison (1997:783), the importance of these factors varies from business to business and therefore the choice of services offered by retailers will also differ. Typical factors, which should be considered in the decision about the services mix are the following:

3.5.1 Market Strategy

A business' market strategy must be formulated in relation with the image, which the business wants to project. The services offered by a business form an integral part of this image and care should be taken that they do not contradict each other (Terblanche, 1998:261).

3.5.2 Customer expectations

Customer expectations about service can be benchmarked against the present and possible future services rendered by the business. Retail activities such as store operations, advertising, sales promotion and other elements of marketing develop certain expectations in customers. Customer expectations vary in respect of the store type and the merchandise offered by that store. Retailers should anticipate customer expectations and offer services that will satisfy that expectations (Hoffman and Bateson, 1997:283).

3.5.3 Competition

Cognisance must be taken of services that are offered by competitors. It is important to introduce a service if the consumer really wants that service which is offered by a competitor as well (Terblanche, 1998:262).

3.5.4 Business image and status

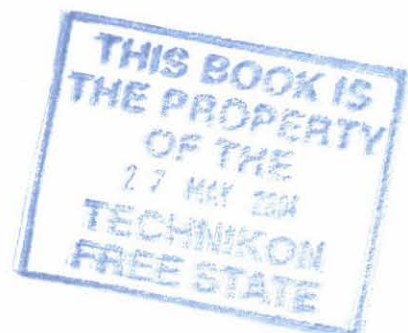
A business image is the business's personality. A wide range of customer services is a prerequisite when a business wants to project an image of high status, high quality and a full service provision (Lewison, 1997:532).

3.5.5 Business location

Parking is one of the factors, which makes decentralised shops attractive for many customers. When the provision of parking is a problem, such as in central business areas, then the business has to offer other "non-standard" services, such as the procurement of imported products, to attract customers (Terblanche, 1998:263).

3.5.6 Demographics of the target market

Demographic factors such as income, age and education levels of the target market will not only determine the extent of services to be offered, but also the price levels for certain services (Berman and Evans, 1995:553).



3.5.7 Types of merchandise offered

The type of merchandise offered will to a large extent determine the kinds of retailing services to be offered (Terblanche, 1998:264).

3.5.8 Customer attitude to service offered

Retailers must consider whether the service is essential, expected or optional in the opinion of the customer (Lewison, 1997:534).

Because the above-mentioned factors influence the choice of services by the retailer, researchers have directed much attention to the development of classification schemes for services.

3.6 CLASSIFICATION OF RETAIL SERVICES

Retailers can benefit from classification schemes because they can tailor specific offerings to specific customers, due to the increased knowledge gained by these schemes regarding customers' identities and addresses. Market segmentation becomes easier and customer loyalty stronger (Payne, 1993:12).

It is therefore important for each retailer to determine which customer services are important, which must be rendered, which are not required and which can

enhance the retailer's image, with the main objective to retain customers (Terblanche, 1998:268).

According to Lewison (1997:783) the multifaceted nature of services allows an equally complex classification system. Whatever criterion is being used to group and identify service retailers, a mutually exclusive classification system is impossible. The following are the most common used classification schemes, which a business can follow.

3.6.1 Primary and ancillary services classification

Primary services are those considered as services that must be provided by the retailer, because they form an essential part of the retailer's strategy in building and maintaining relationships with customers. Without these services the retailer cannot stay in business. These services are called essential, because nearly all the customers of a retailer use them. Examples are credit purchases, bagging, complaints and returns handling, maintaining reasonable store hours, having sales personnel on hand and parking areas (Berman and Evans, 1995:565).

Ancillary (optional) customer services are extra elements that enhance a retailer's competitive edge. These services are neither basic nor necessarily expected by the customers. Most shoppers use optional services very seldom,

therefore each retailer must analyse its own situation before adding an optional service. Examples are home delivery from a supermarket, gift-wrapping, gift certificates, alterations/installations to products and children's playrooms. (Hasty and Reardon, 1997:58).

3.6.2 Classifications of services in terms of value to customers and cost

The four distinct classes of services are summarised below and indicate that certain service activities can increase customer loyalty, which ultimately assist in retaining customers (Terblanche, 1998:267).

FIGURE 3.1 CLASSIFICATION OF CUSTOMER SERVICES IN TERMS OF VALUE TO CUSTOMERS AND COST

		Cost of Offering / Service	
		High	Low
Value of service to customer	High	Patronage builders High-cost activities that are the primary factors behind customer loyalties.	Patronage solidifiers The "low-cost little things" that increase loyalty.
	Low	Disappointers Expensive activities that do really provide value to customers.	Basics Low-cost activities that are "naturally expected". They don't build patronage, but their absence could reduce patronage.

Source from Berman and Evans (1995:565)

Patronage builders must receive in-depth attention from retailers. These services offer high value to consumers, and represent a high cost to the retailer. It provides the opportunity to increase the store's customer base, especially if

competitors are unable to provide comparable service at the same price. It includes services such as transaction speed, credit, and gift registry (Terblanche, 1998:268).

Patronage solidifiers (support services) offer high consumer value and can be provided at a nominal cost. Such services include courtesy, which refers to calling the customer by name, saying thank you and making use of suggestion selling (Berman and Evans, 1995:565).

Disappointers include lay-buy and parcel pick-up. These services require high labour effort but are really of little value to the customer. These services can easily be eliminated from the services offered by some retailers (Terblanche, 1998:267).

An example of basic services is free parking. Retailers often provide these basics without giving much thought to the cost content, particularly if it is a competitive necessity (Linton, 1995b:25).

It is important for each retailer to determine which customer services are necessary, which are not required and which can enhance the retailer's image. This evaluation is important, because each retailer's situation is different and requires individual consideration to be able to select the correct combination of services from the wide variety that exist (Terblanche, 1998:268).

3.7 THE VARIETY OF CUSTOMER SERVICES

The variety of customer services offered by any retailer will depend on a number of variables such as service objectives, competition, whether the service is free or offered at a cost. The range of typical customer services is shown in Figure 3.2 and can be regarded as representative of the majority of services offered by retailers (Berman and Evans, 1995:567).

FIGURE 3.2 TYPICAL CUSTOMER SERVICES

After-sales service and guarantees	Parking
Alterations and installations	Playground and childcare
Banking facilities	Refreshments
Complaints and returns handling	Rest rooms and other facilities for relaxation
Credit	Specials/discounts to regular customers
Delivery	Toll-free numbers
Extended store hours	Trade-ins
Fitting-rooms	Trial purchases
Gift certificates	Trolleys
Mail and telephone orders	
Packaging and gift-wrapping	

Source from: Berman and Evans (1995:567)

A retailer's willingness to offer some or all of these services indicates a business's concern for its customers and is a strong contributor to image (Berman and Evans, 1995: 571).

In order to keep customers happy, to retain them and to deliver a better service, it is important for businesses to determine what customers require, what they

expect businesses to provide throughout the overall sale and service encounter. Therefore it is vital to learn about customers' current and future needs in order to build a long-term relationship with them (Gerson, 1993:34).

3.8 CUSTOMER EXPECTATIONS OF SERVICES

Customer expectations are attitudes held by customers towards a business, which can be related to the products, services or to the professionalism of customer contact. Customers' expectations can be high when they approach a business for the first time. Customers will usually expect the response to be professional and competent (Katz, 1994:18).

According to Lele and Sheth (1991:137) customers' expectations have a definite effect on their overall satisfaction with a business. If a customer's expectation is unrealistically high, nothing will satisfy him/her. On the other hand, if he/she does not expect very much, only a few will purchase the products of that business. It is important to understand and control customers' expectations regarding the products and services of a business, in order to keep customers happy. Happy customers will enhance customer retention. Therefore customer expectations must be influenced by businesses either directly and/or indirectly.

3.8.1 Factors affecting customer expectations of services

Customers' expectations are created and modified by past experience, information they receive from businesses, competitors, feedback from other customers and the news media. Businesses influence consumers' expectations directly through their advertising, the media and its content and hearsay. Indirect influences include the use or misuse of atmospherics, incentives, sales attitudes and sales performance (Lele and Sheth, 1991:140).

The direct influences of customers' expectations will now be discussed:

3.8.1.1 Advertising

Businesses must maintain a fine balance between raising expectations high enough so that the customer is interested enough to try the product and between raising expectations so high that they are unattainable. The more ambiguous the service, the more customers rely on the firm's advertising when forming expectations. Businesses must use their advertising to revive customers' confidence in their ability to provide reliable, comfortable service and must make sure that they can deliver the goods and services (Lele and Sheth, 1991:140).

3.8.1.2 Implicit service promises

These promises influence the desired and predicted service. Common types of these promises are the tangibles surrounding the service and the price of the service. Customers usually expect the business to deliver higher-quality services, as the price increases. Usually the price becomes an indicator of quality to many consumers in the absence of a tangible product. In general, the nicer the furnishings of the service establishment, the higher the customer expectations become (Hoffman and Bateson, 1997:289).

3.8.1.3 Word-of-mouth communications

The experience of other people (friends and family) contributes to customers' expectations. If a satisfied customer tells his or her friends to use a specific retailer, this can build a chain of customers. Customers tend to rely more on personal resources of information than on non-personal ones when choosing among service alternatives. No retailer can succeed in retaining customers if it receives extensive negative word-of-mouth communication. Therefore retailers who have positive word-of-mouth references are more able to attract new customers and retain existing customers (Berman and Evans, 1995:637).

According to Lele and Sheth (1991:141) the indirect influences of customers' expectations include the following:

3.8.1.4 Atmospherics

The decor, layout, cleanliness, colour schemes and noise level are all factors that influence a business' atmosphere and which have a tremendous impact on customers' perception of the image of that specific business. Many people form impressions of a business before entering as well as just after entering. People could judge a business prior to closely examining its merchandise and prices. The business atmosphere may influence the customers' enjoyment of shopping and their time spent browsing and examining the retailer's offerings. If customers leave without buying anything, the main objective of retaining customers are not met (Berman and Evans, 1995:550).

3.8.1.5 Attitudes of sales personnel, incentives and sales performance

Customers judge the business by the sales personnel it employs. If they are helpful, efficient, confident and interested in keeping the customer happy, buyers assume that the business will fulfil its commitments towards its customers. Therefore the salesperson's attitude in executing the sale will influence the level of service quality (Katz, 1994:21).

In many cases businesses however create their own problems by the mismanagement of customer expectations.

3.8.2 Mismanagement of Customer Expectations

Peppers and Rogers, 1999a:154) states that businesses often fail to understand the importance of controlling or managing customers' expectations. Businesses create their own problems by generating unrealistic expectations and ruining their credibility with customers, which impacts on the level of customer retention. The mismanagement of customer expectations will happen when businesses:

- intend to increase their short-term sales by overpromising and overselling;
- intend to manage expectations dishonestly and try to hide bad news, rather than to face facts and deal with the problem (Lele and Sheth, 1991:144); and
- mismanage customer expectations because they misunderstand, misinterpret or ignore the customer's wishes and needs. They fail to understand the importance of atmospherics, incentives and attitudes and because they are concentrating on getting customers to buy what they make rather than giving them what they want (Brown, 1997:15).

Businesses who want to keep and retain their customers for life, must learn how to understand and control - not manipulate - customers' needs so that they understand what they are receiving; are able to relate the product to their needs

and lastly convince themselves that it is completely satisfactory. Therefore businesses must be very careful to create the right expectations or otherwise they have to face a lot of problems (Katz, 1994: 22).

The above-mentioned factors that influence customers' expectations may be improved with a distinct service-orientated culture, which will indicate to employees how to respond to new, unforeseen and even awkward situations (Hoffman and Bateson, 1997:393).

3.9 THE IMPORTANCE OF A POSITIVE CORPORATE CULTURE TO CUSTOMER SERVICE

Corporate culture can be described as the way people operate, think in common ways and appreciate similar goals and routines, because they are members of the same business. Corporate culture can be regarded as an internal climate in the organisation, which silently enforces the manner in which employees should serve customers with positive attitudes and behaviour. Therefore the culture of a firm has a vital impact on how service-orientated the employees of that firm are (Hoffman and Bateson, 1997:394).

3.9.1 Requirements of a customer service culture

The development of a customer service culture concentrates the energy of the business on the delivery of services to the customer and redirects the focus of internal operations on customer needs. The customer service culture includes the entire spectrum of customer service improvement efforts, such as the means to derive customer input and satisfaction, staff customer service training programmes and business response mechanisms and are discussed accordingly (Wehmeyer and Auchter, 1996:173).

3.9.1.1 The development of a service strategy

In the corporate sector, a customer service strategy has become a vital component of business success. A service strategy is a brief statement of what customers expect from a business, as well as a description of the value system of a business. The customer service strategy begins with a survey of the market to determine what the customer wants and thereafter to determine services the business will offer to meet those needs. Formal service plans are statements of expected performance against which actual performance will be measured. A customer service plan outline the internal operations which are necessary to support the services offered by the business, which include standards for measuring the level of achievement. The customer service strategy is customer-driven and results-orientated (Payne, 1993:45).

The statement of a business mission is essential when developing a customer service strategy. It is important that service concepts (concerning what should be done, to whom, how and with which resources and what benefits customers, should be offered) related to the business mission and the strategy should be defined. If not clearly defined, the firm will lack a stable foundation for the discussion of goals, resources to be used and the standards for performance (Lewison, 1994:611).

Payne (1993:49) is of the opinion that the essential components of a customer service mission is the following: Who are the business's customers, what are the firm's major products or services, where does the firm compete, what is the firm's basic technology, what are the firm's economic objectives, and what are the firm's major strengths and competitive advantages. If these issues are not clarified, the personnel will not understand what they are supposed to do.

The mission should be communicated from senior management down to front-line service providers, therefore the process should be supported by an appropriate internal communication programme (Payne, 1993:61).

The development of a customer service plan requires the business to position customer service as a central activity, rather than a clerical function to handle the occasional customer issues (Wehmeyer and Auchter, 1996:174).

3.9.1.2 The development of an effective organisational structure

Anton (1996:132) states that all activities of the organisation have to be designed with the creation and delivery of service in mind. A complicated and formal structure may lead to many problems when trying to deliver good customer service. Therefore the organisational structure must allow its customers to have easy access to services and provide the means for employees to make quick and flexible decisions.

Customer service requires co-operation between various functions and departments. A service-oriented business requires a thin organisational structure with few hierarchical levels so that those employees close to the customers can make decisions. Subordinates must get more responsibility and they are expected to perform their tasks more independently (Wehmeyer and Auchter, 1996:174).

Good service normally requires simplified ways of executing tasks, so that unnecessary delays and information breaks due to a complicated operational system or work flow, are avoided (Hoffman and Bateson, 1997:396).

3.9.1.3 Establishing service-orientated leadership

Service consciousness must be a top-priority concern in every business's strategic and operational planning. Service orientation improves the functional quality dimension of customer-perceived service quality and it supports the production of good technical quality (Hoffman and Bateson, 1997:403).

A customer service culture requires the implementation of a service strategy, which includes the support of top management through to the lowest level of employees. Everyone in the business must get involved and take an interest in delivering good service – being service-orientated (Payne, 1993:61).

Establishing service-orientated leadership is concerned with managers' and supervisors' attitudes towards their subordinates and how they act as managers. Managers and supervisors must be able to identify priorities and help their staff develop their service performance. Without the active and continuous support from all the managers and supervisors, a true customer service culture cannot be spread and maintained throughout the organisation (Linton, 1995b:53-54).

According to Wehmeyer and Auchter (1996:174), the principal tool of leaders is communication – leaders must rather communicate face-to-face than by memorandum, they must communicate by example and by deeds and not just by words. Leaders must communicate to inspire rather than to command.

3.9.1.4 The training of personnel

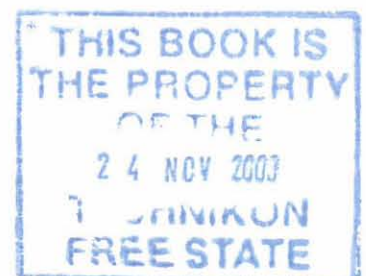
By providing the personnel with training, the knowledge and attitude requirements, the improvement of personnel commitment and empowerment of the personnel, a good customer service culture may be created and can then be achieved and are discussed accordingly:

3.9.1.4.1 *Knowledge and attitudes*

Employees need to know how a service organisation operates, what makes up the customer relationship, what their role in the total operation and customer relationship is and what the individual is expected to do (Terblanche, 1998:283).

A central business's contact personnel, who often perform a very complex and difficult job, are an essential part of that business' image. Therefore it is important that front-line personnel do have appropriate knowledge, skills and abilities for effective customer service delivery (Terblanche, 1998:283).

It is often said that salespeople are born not made, but no matter what particular gifts an individual may have, there is no question that the sharpening of a person's inherent skills and abilities can only improve performance and results. Salespeople who are successful are like other professionals - their knowledge



and skills have to develop on an ongoing basis, because they need to evolve to remain competitive (Skerrit and Griffen, 1997:30).

Sales staff must be trained to identify where and when service quality problems are occurring and the steps they need to take to correct it before the customer experiences any mistakes (Gerson, 1993:29).

3.9.1.4.2 *Improving the sales personnel's skills*

To improve the sales personnel's skills, a manager's training function is to identify training needs and plan the training programme accordingly (Katz, 1994:36).

Sales personnel can be trained in two ways: First, businesses provide formal sales training through preliminary training programmes and sales meetings and secondly, the salesperson learns by being on the job. Sales training entails the provision of providing the salesperson with job-related culture, skills, knowledge and attitudes that result in improved performance in the selling environment. Sales knowledge obtained through education, reading and formal sales training is helpful to enhance the overall sales ability, but actual sales experience is the critical source of sales knowledge (Futrell, 1999:171).

Sales experience improves a salesperson's abilities and skills by showing how buyers perceive a product or service, by providing him/her with negotiating skills, how to manage conflict, to solve customers' buying problems and how to build relationships with customers and how to care for them (Skerrit and Griffen, 1997:31).

Salespeople today must be knowledgeable to be effective in their jobs. The three reasons for the salesperson to have selling knowledge are (i) to increase the salesperson's self-confidence, (ii) to build the buyer's confidence in the salesperson and (iii) to build relationships (Futrell, 1999:171).

Employees in service delivery positions face a demanding environment, which calls for a variety of skills, and only those who are committed will survive and prosper (Terblanche, 1998:283).

3.9.1.4.3 *Building staff commitment*

A competent employee who is committed to delivering customer satisfaction is a valuable asset in any business. The commitment and involvement of staff is essential to customer loyalty. The power of employees to improve the business's performance is enormous when they are committed. Therefore the retention of these employees becomes an important part of the relationship

marketing equation, because it may become a significant source of competitive advantage (Wetzels, *et al*, 1998:406).

The first method to improve a business' staff's commitment is by empowering them.

(a) Empowerment

Empowerment means encouraging and rewarding employees to exercise initiative and imagination. Employees are allowed to suggest their own solutions to service problems and to provide solutions to solve these problems creatively and effectively. Employees who are empowered tend to feel better about their jobs and themselves and it is automatically reflected in the way they interact with customers. Employees tend to be warmer and friendlier. (Hoffman and Bateson, 1997:244).

Payne, *et al*, (1997:139) describes empowerment as sharing with frontline employees four organisational ingredients, which are the following:

- provide information about the business's performance, at all levels, including information which in the past might have been regarded as confidential and open only to top management;

- knowledge that enables employees to understand and contribute to organisational performance;
- rewards based on the business's performance; and
- power to make decisions which can influence organisational direction and performance.

By empowering the front-line employees, businesses gain several benefits, which include: Employees are more customer focused and are much quicker in responding to customer needs during service delivery; employees feel better about their jobs and themselves – they are more likely to respond in a positive manner to service failures and engage in effective service recovery strategies; quicker on-line responses by employees to dissatisfied customers during service recovery; empowered employees can be a great source of service ideas; and employees will interact with customers with more warmth and enthusiasm (Wetzels, *et al*, 1998:410).

Hoffman and Bateson (1997:247) state three approaches to empowering employees:

(i) Suggestion involvement

This level empowers employees to recommend suggestions for improving the firm's operations. Employees are only empowered to recommend suggestions

for improving the firm's operations. They are not empowered to implement suggestions themselves but are encouraged to suggest improvements for formal review.

(ii) Job involvement

Job involvement allows employees to examine the content of their own job and to define their role within the organisation. Employees engaged in using employee teams with a variety of skills have considerably more freedom and receive extensive feedback from management, customers and employees. Despite the heightened level of empowerment this approach brings, the higher-level strategic decisions remain the responsibility of senior management.

(iii) High involvement

This approach gives the lowest-level employees a sense of involvement - train them to manage themselves. Extensive training is utilised to develop skills in teamwork, problem solving and business operations.

Empowerment is the best approach when service delivery involves managing a relationship. The business may want to establish relationships with customers to build loyalty or to get ideas for improving the service delivery system or offering new services. The selection of an empowerment strategy should be

dependent upon the business and the market in which it operates (Payne, *et al*, 1997:150).

- (b) The second method to get employees committed is by improving their skills through training as has been discussed in 3.9.1.4.2. (p. 74).

The third method to get employees committed is by motivating them.

- (c) Motivation

A good manager strives continuously to sustain the ambition, energy and loyalty of his sales team. Motivation can take various forms, which can be a financial bonus, a competition price, praise and recognition. A healthy motivation level goes hand in hand with self-confidence and is a powerful tool against rejection, frustration and short-term failure. Only when salespeople believe in themselves, they set challenging goals and display the energy levels to achieve it (Katz, 1994: 77).

Salespeople who are motivated, fully committed and loyal towards the business, with the appropriate sales knowledge and confidence will be able to deliver quality customer service. Therefore to increase the business' sales and profits, they must concentrate on having the right people in position and developing the right customer service skills (Futrell, 1999:158).

Linton (1993:85) states that it is important to concentrate on the various ways in which customer service can be used to improve customer satisfaction.

3.10 DELIVERING QUALITY CUSTOMER SERVICE TO IMPROVE CUSTOMER SATISFACTION

Within the customer service process, quality contact, between the business and its customers, is important throughout the selling process, from the initial enquiry, the pre-sales advice to aftercare. This can help to build the highest levels of customer satisfaction (Brown, 1997a:14).

A customer-focused business has the responsibility to deliver the highest standards of satisfaction. To be customer-focused, businesses have to understand their customers. The relationship between the organisation and the customer can be improved with quality contact (Linton, 1993:66,69).

3.10.1 Requirements for quality customer service

If businesses want to deliver quality customer service they must make it easy for customers to contact them, for example by using a fax, answer phone, longer shopping hours, freepost, reply-paid cards (Linton, 1995b:85-88).

Businesses can build high levels of customer satisfaction by providing them with sufficient and correct information, advice and guidance – helping customers to make the right choice. Businesses must make it convenient for customers to do business by means of location, customer parking, shopping hours (Linton, 1995b:85).

To deliver quality customer service, it is important that customers' telephone- or personal enquiries are handled efficiently by setting up customer files so that all the selling detail and history of that customer are available to staff who have contact with that customer. When customers make enquiries, businesses must deliver a reasonably prompt response, therefore managers must set time standards for different activities (Moreo, 1997b:14).

Customers must be kept informed on progress at all times, especially if they are waiting for an urgent delivery or for a service call. Businesses must be proactive when delivering customer service, for example by sending a courtesy letter after sales have been made (Linton, 1993:66).

Businesses must use complaints in a positive way, because it highlights areas for improvement. Procedures for handling customer problems and complaints must be set up. Customers can be provided with a properly manned help-line to deal with their problems and queries (Dorrain, 1997b:15).

Poor service at the checkout, inaccurate invoicing or other administrative inefficiency may destroy the benefits of good customer relations, thus businesses must always try to improve the efficiency of their administration (Linton, 1993:67).

According to Moreo (1997b:14) a persuading factor why customers buy from a certain business instead of its competitors, can be the difference in the quality of delivering customer service. If a business possesses a reputation for being a company that cares about its customers, it will give the salespeople a leading edge.

Linton (1993:67) suggests that top management must set certain goals of how they think customers want to be treated, discuss it with the employees and then convert it into customer service rules. These rules must be circulated throughout the business to make sure that everyone who comes into contact with customers is aware of these rules. These rules must also be discussed during employee meetings and on a one-to-one basis to explain their implementation.

If good service delivery is emphasised in the business's advertisements, that portion of the advertisement must be highlighted and a copy must be circulated to every employee. Letters from customers regarding good customer services delivered must also be circulated to employees emphasising that the specific employee is/will be rewarded (Moreo, 1997b:14)

Employees must be given specific orders that they must pay their undivided attention to customers, which must enjoy priority over routine tasks. They must understand exactly what the customer wants before they refer them to someone else, sometimes the wrong person. Management must make sure that employees keep their promises to customers. If the customer has been promised to be phoned back with the relevant information, the employees must make sure that they do it (Linton, 1995b:74).

The quality officer in the business must phone a random sample of customers regularly to ask about the employee's performance. In this way the business may learn about some problems that their customers might experience. If a business's customer service is done correctly and properly, it can be the most effective form of advertising and the least expensive, because if a business's customers are satisfied, they will tell other customers about this business's good customer service (Moreo, 1997b:14).

Satisfaction is but a short-term state achieved by meeting customers' immediate needs, therefore it is essential for businesses to make sure that customers remain satisfied and to monitor the customer satisfaction levels (Brown, 1997a:15).

3.11 FOCUSING ON AND MONITORING CUSTOMER SATISFACTION LEVELS

Customers remain satisfied only as long as they perceive that the business is providing value. If no relationship exists between the customer and the business, other than the payment for goods and services provided, then once the customer's immediate and future needs are better met by the business's competitor, he or she will switch to the competitor (Brown 1997a:15).

The most important aspect of any customer service programme is to focus businesses' staff on satisfying customer needs. This can be achieved in a number of ways (Linton, 1995b:193):

- Using customer focus standards to improve satisfaction;
- Improving satisfaction through customer care programmes;
- Building satisfaction through customer care training;
- Introducing customer satisfaction ratings to measure how well the company is performing; and
- Operating customer satisfaction incentive schemes to reward staff that has achieved the highest levels of customer satisfaction.

The more satisfied a customer is, the better the chances are of repeat business because of customers' loyalty. Therefore it is essential for businesses to ensure

that they are delivering the highest possible standards of customer satisfaction. Continuous measurement of customer satisfaction levels and the utilisation of the findings are used to improve performance (Linton, 1995b:193).

3.12 SETTING STANDARDS AND MEASUREMENT OF SERVICE PERFORMANCE AND CUSTOMER SATISFACTION

Surveys of service quality and customer satisfaction determine the customer's perception of the businesses. Businesses must internally measure the service performance of their employees. Therefore objective standards must be developed to measure service performance (Gerson, 1993:98).

When businesses set customer service standards, they must make sure that their staff is maintaining those standards. The use of quality control processes may ensure that the right level of customer service is delivered consistently, therefore it is important that businesses know what they are measuring and why (Broderick, 1998:5).

3.12.1 The necessity to measure service performance

Gerson (1993:32) outlines seven basic reasons for measuring service quality and customer satisfaction:

- (a) Customers are individuals who perceive the image and the delivering of service of businesses differently. It is therefore imperative that businesses at least consider identifying each customer's individual perceptions. These individual perceptions include what customers are expecting from a business; why they are doing business; what caused them to change suppliers or providers; what they must receive to be minimally satisfied; what businesses must do to make customers extremely satisfied and what businesses must do so that their customers will continue to do business with them.
- (b) To determine customer needs, wants, requirements and expectations, because then businesses will be able to know what customers require from them regarding product specifications, as well as what they expect businesses to provide during the overall sale and service encounter (Hart and Johnson, 1999:9).
- (c) To close the following gaps
- The gap between what a business thinks a customer wants and what the customer actually wants;
 - The gap between what a business thinks a customer has bought and what a customer perceives has been received;
 - The gap between the service quality the business believes it is providing and what the customer perceives is being provided;

- The gap between customers' expectations of service quality and actual performance; and
 - The gap between marketing promises and actual delivery (Gerson.
- (d) To measure actual customer service performance, in order to improve service quality and customer satisfaction (Hoffman and Bateson, 1997:310).
- (e) The assumption has been made that if a business improves its service-quality performance and delivery, the business will probably benefit from increased profits. More people will then want to buy from this business, which will increase the volume contribution to profits (Dicey, 1998:6).
- (f) To let customers tell the business if it is satisfying them and what the business must do to satisfy them in the future. Customers will inform the business if it is necessary to change its business strategy and/or direction (Anton, 1996:36).
- (g) To base continuous improvement processes on the results of the measurement (Gerson, 1993:98).

3.12.2 Aspects of measurement

According to Linton (1995b:187) a business can take the following aspects into consideration when measuring customer service performance:

- (a) Measuring staff's responsiveness – a central point of contact for customer enquiries can be set up. Staff is measured on how quickly they reply to the original call, how quickly they provide a response within specific guidelines and how frequently they keep the customer informed until the task is completed.
- (b) Measuring the consistency of service – businesses must have an inspectional process to improve the quality of customer service. Consistent standards for aspects such as the time taken to complete tasks, presentation and explanation of invoices and procedures concerning customer complaints must be adhered to by all staff throughout the business (Zeithaml, *et al*, 1990:170).
- (c) Measuring customers' expectations of quality – quality may be assessed in line with customers' expectations of the service. Customers may be provided with questionnaires at the end of every service asking how they rated different aspects of the service. It is important that businesses obtain regular feedback from customers to ensure that they are achieving

the right level of customer satisfaction. Feedback may be obtained by means of customer satisfaction surveys, service cards, telephone surveys and review meetings (Du Plessis and Rousseau, 1999:156).

When a business sets certain customer service standards, it is essential to measure the staff's customer service performance to ensure that these standards will be maintained.

3.12.3 Benefits of measuring quality and customer satisfaction

The primary benefit of a measurement programme is that it provides the staff with immediate, meaningful and objective feedback. They can see how they are doing at a specific moment, compare it with some standard of excellence or performance and decide what they must do to improve on that measurement (Gerson, 1993:40).

Other benefits of measuring are that:

- (a) Measurement provides employees with a sense of achievement and accomplishment, which will then be translated into superior customer service. Employees who know that they will be rewarded for achievements are instantly more committed to deliver superior customer service (Linton, 1995b:206).

- (b) Measurement provides employees with a benchmark for performance and excellence, which they must try to achieve, which will lead to improved quality and increased customer satisfaction (Brown, 1997:15).
- (c) Measurement offers a performer immediate feedback, especially when the customer is measuring the performer and the business.
- (d) Measurement helps a business to improve its customer service quality and customer satisfaction (Wehmeyer and Auchter, 1996:175).
- (e) Measurement motivates employees to perform and achieve higher levels of productivity. Measuring customer service performance provides an opportunity to maintain proactive communication with customers (Hoffman and Bateson, 1997:338).

The above-mentioned benefits of measuring quality and customer satisfaction, which include concepts of continuous improvement, superior customer service and high quality, are all related to customer satisfaction and will help to build a relationship with customers (Gerson, 1993:41).

Satisfied customers result in repeat business and high levels of customer loyalty. It is therefore necessary to continuously measure satisfaction levels and ensure

that businesses improve their performance. This can ensure that businesses are delivering the highest standards of customer satisfaction. To measure customer service quality and customer satisfaction, there are a variety of tools available (Gerson, 1993:42-50).

3.12.4 Tools for measuring customer satisfaction

To ensure that a business can retain customers and ensure future income and profitability, it is important that businesses manage and measure customer service quality.

3.12.4.1 SERVQUAL scale

Hoffman and Bateson (1997:319) suggest that the SERVQUAL scale is a popular method for assessing service quality. The original SERVQUAL survey instrument consists of 44 questions that measures consumers' expectations and perceptions regarding five service quality dimensions, which are tangibles, reliability, empathy, responsiveness and assurance. Gap scores for each of these five dimensions may be calculated by comparing consumer expectation and perception ratings. The SERVQUAL gaps indicate specific areas in need of improvement and assist the business in its continuous improvement efforts.

SERVQUAL uncovers a business's broad weaknesses and strengths of service quality. It is based on the above-mentioned five service quality dimensions that were obtained through extensive focus group interviews with consumers (Du Plessis and Rousseau, 1999:155).

The SERVQUAL instrument consists of two sections: a 22-item section that records customer expectations of excellent firms in the specific service industry and another 22-item section that measures consumer perceptions of a particular business in that service industry (i.e. the firm being evaluated). Results from the two sections are then compared to calculate the "gap scores" for each of the five dimensions. The larger the gap, the further consumer perceptions are from expectations and the lower the service quality evaluation. In contrast, the smaller the gap, the higher the service quality evaluation. Customer expectations are measured on a 7-point scale with the anchor labels of "not at all essential" and "absolutely essential". Similarly, customer perceptions are measured on another 7-point scale with anchor labels of "strongly agree" and "strongly disagree" (Zeithaml, *et al*, 1990:175).

The SERVQUAL statements (in both the expectations and perceptions sections) are grouped into five service quality dimensions as follows:

- a) Tangibles dimension compares the firm's performance and consumer expectations regarding the firm's ability to manage its tangibles. A firm's

tangibles consist of a variety of objects such as carpeting, wall colours, brochures, lighting and appearance of the firm's personnel (Zeithaml, *et al*, 1990:175).

- b) Reliability dimension reflects the dependability and consistency of a firm's performance. It indicates whether the firm provides the same level of service time after time, or does the quality dramatically vary with each encounter. It indicates whether the firm keeps its promises, billing its customers accurately, keeping accurate records, and performing the service correctly (Hoffman and Bateson, 1997:308).
- c) Responsiveness dimension reflects a firm's commitment to provide its services in a timely manner – the willingness and/or readiness of employees to provide a service. The preparedness of the firm to provide the service, to handle larger crowds and thus minimising subsequent customer complaints and service failures are reflected as well (Hoffman and Bateson, 1997:309).
- d) Assurance dimension addresses the competence of the firm, how the firm's personnel interact with the customer and their consideration of the customer's property. It pertains to the firm's knowledge and skill in performing its service professionally (Zeithaml, *et al*, 1990:175).

- e) Empathy dimension is the ability to experience another's feelings as one's own. Firms who are empathetic understand their customers' needs and make their services accessible to their customers such as delivering individualised attention when requested and offering convenient operating hours (Du Plessis and Rousseau, 1999:154).

The developers of SERVQUAL contend that when used in conjunction with other forms of measurement, both quantitative and qualitative, it provides a valuable diagnostic tool for evaluating the firm's service quality performance (Hoffman and Bateson, 1997:314)

3.14.4.2 Other measurement tools

Businesses who claim to be customer-focused are supposed to pursue ongoing customer research (with the emphasis on what today's customer considers important) that provides relevant data to managers for their decision-making processes. More specifically, service quality information systems utilise service quality and customer satisfaction measures, in conjunction with other measures obtained at various points, to assess the firm's overall performance. Some qualitative and quantitative measurements for evaluating the business's service quality performance are discussed accordingly (Hoffman and Bateson, 1997:314).

a) Focus group interviews

Focus group interviews are repeated interactive discussions with eight to twelve customers of a business's product. A trained moderator, who uses an interview schedule or script, usually guides the group interaction. The participants in the group are encouraged to express their views and to comment on the suggestions made by others in the group. Customers usually tend to feel more comfortable and talk more openly and honestly because of the group interaction. Focus groups are probably the most widely used market research method. The primary purpose is to identify areas of information to be collected in subsequent survey research (Anton, 1996:36-37).

b) After-sales surveys

After-sales surveys address customer satisfaction while the service encounter is still fresh in the customer's mind. Although these surveys may identify areas for improvement, it is a proactive approach in assessing customer satisfaction. The after-sales survey attempts to contact every customer and take corrective action if a customer is less than satisfied with his or her purchase decision (Hoffman and Bateson, 1997:315).

c) Solicitation of customer complaints

According to Moreo (1997a:20) customer complaints will identify unhappy customers and will give the business a chance to rectify mistakes. The business's follow-up efforts may enable it to retain many of these customers before they defect to competitors. Soliciting customer complaints identify weaknesses in the business's customer service delivery system and should be done on a continuous basis. It enables the business to take corrective actions necessary to minimize future occurrences of the same problem. Therefore encouraging customers to complain is a valuable tool to ensure customer satisfaction throughout the encounter, before a customer leaves the premises.

d) Mystery shopping

Mystery shopping is a form of non-customer research that measures individual employee service behaviour. Trained personnel who shopped unannounced at the business as customers are usually evaluating individual employees during an actual service encounter. The employees are evaluated on certain characteristics such as the time it takes for the employee to acknowledge the customer, appearance, eye contact and other specific customer service and sales techniques employed by the business. Mystery shopping is a form of observation research and aids the business in training, coaching and evaluating its employees (Hoffman and Bateson, 1997:316).

e) Employee research

Employee research may be used by the business as an internal measurement of service quality concerning employee morale, attitudes and perceived obstacles to the provision of quality services. Sometimes employees feel that internal regulations and policies tie their hands, as they would like to provide a higher level of quality service. To uncover these obstacles and to remove it when appropriate, it is essential to make use of employee research. Employees are customers of internal services and assess internal service quality. Due to the fact that employees are in direct contact with customers in providing service delivery, employee complaints serve as an early warning system, because employees often see the system breaking down before the customers do (Hoffman and Bateson, 1997:316).

One of the most powerful ways to reinforce a message of service commitment is to use these measurements of customer service performance and link it to the employee's performance appraisal process (Linton, 1995b:206).

3.13 REWARD CUSTOMER SERVICE EXCELLENCE

It is important to make sure that customer service staff are being recognised and rewarded for good service, because if they know that they will be rewarded for achievements, they are instantly motivated to improve. Rewards and recognition

can dramatically improve an organisation's customer service levels (Linton, 1995b:206).

With a quantitative basis for comparison, departments and individuals may compete with each other for the best customer service rating. Incentives may be awarded to individuals and groups for improving their own performance on a year-on-year basis and to encourage the highest standards of customer satisfaction (Gerson, 1997:26).

Management must set clear goals to employees and explain how the goals will help to build a totally customer-focused business. When building an effective reward system, the following factors will have a definite influence:

- Set clear targets – everyone must know what is being measured and how it is being measured;
- Provide flexible rewards – offer the winners a wide choice of quality products;
- Deliver the reward quickly with impact – annual awards can be used for high-achieving customer service performance, but the objective is to achieve a large number of small improvements in service – better to operate more regular rewards;
- The rewards should be presented by a senior member of staff or by someone who is recognised as a customer service achiever; and

- It is important that the reward programmes focus on the most important customer satisfaction tasks. When the businesses carry out customer satisfaction surveys, they must identify the factors that customers feel are most important and use these as the basis of the reward programmes (Linton, 1995b:206-209).

Customer service reward schemes play an important part in achieving and maintaining high levels of customer satisfaction. These programmes allow the performance of individuals and departments to be compared and evaluated over a period of time. The objective of these reward schemes is to motivate employees to improve their performance at every level and not just to achieve (Gerson, 1993:97).

Customer satisfaction will result in improved customer relations which will in turn result in higher profits, increased customer loyalty and a confident workforce (Dicey, 1998:5).

3.14 SUMMARY

Customer service has become one of the most important issues facing businesses in every market. Customer service's most common objective is meeting or exceeding the customer's requirements and ensuring that all aspects of the business contribute to customer satisfaction. The intention is to build

repeat business – therefore building a relationship with customers. If customers are satisfied with the product and the standards of service they receive, they will return to the same business again and again.

The next chapter will concentrate on building and retaining a loyal customer base by means of a customer review process and how customer information may improve a business's communication strategy. Attention will also be given to retention strategies.

CHAPTER 4

BUILDING AND RETAINING A LOYAL CUSTOMER BASE

4.1 INTRODUCTION

With customers well researched and understood as been discussed in Chapter 3, businesses are now ready to embark on the difficult process of acquiring and retaining customers. A key business objective is to increase customer retention, because customers, who are satisfied with the level and quality of services and products of the business, are likely to continue buying from the same business. The implementation of relationship marketing programmes may reinforce the degree of loyalty by rewarding customers in such a way that customer service is further enhanced. Relationship marketing programmes may take many different forms from discounts on repeat purchases, incentives for multiple purchases and frequent user programmes, which provide multi-level rewards for customers who continue to use a service (Stone and Woodcock, 1996:93).

The key aspect of relationship marketing is the ability to collect, analyse and track customer information. This information on a business's database is a corporate planning asset. A database that builds up an increasingly detailed picture of individual customers and their purchasing habits is essential for every effective relationship marketing programme. The database is discussed in

paragraph six. The information in this database allows businesses to target specific groups of customers with relevant offerings and increase their value over the long term (Linton, 1995a:44)

4.2 BUILDING AND RETAINING A LOYAL CUSTOMER BASE THROUGH RELATIONSHIP MARKETING

Many businesses today strive to develop and keep customers. According to Duffy (1998:435) all objectives and strategies in relationship marketing are based on the concept of customer acquisition and retention. Terminology such as relationship marketing, frequency marketing, customer-centric marketing and one-to-one marketing are often used to describe loyalty marketing. Actually, these terms are merely a means to an end - the end where all retailers seek loyal customers (Duffy, 1998:435).

For many years, businesses have assumed if customers do not complain or if they report in surveys that they are satisfied with the service received, they will become loyal to the business forever. However, customers are no longer as loyal as they used to be, because of the increasing number of competitors and an increasing focus on discounting and bargaining. Research studies done within the cable television and cellular industries have shown that many customers tend to have high satisfaction levels after the initial purchase, but may still defect if they find a better price or better value (McEachern, 1998:483).

Schneider (1997:46) is of the opinion that there is growing evidence that businesses with catchy slogans, mass mailings and holiday sales are not enough to capture the highest level of customer loyalty. Customers want to be treated as “important to the retailer” because they are more likely to stay in a relationship when they are consistently provided with quality products and services and good value over time. If customers feel that the business understands their changing needs, they are less likely to be pulled away by competitors.

Loyalty marketing (relationship marketing) is more than just a programme – it is a business strategy - a state of mind (Duffy, 1998:439).

4.2.1 Designing a successful customer loyalty strategy

According to Duboff (1997:21), when loyalty marketing strategies are properly embraced, developed and implemented, they become integrally linked to the product. Loyalty strategies’ aim is to build stronger and more durable relationships with customers. Durable relationships help encourage customers to do something about a problem they have had with a product or service rather than quietly defecting from the brand. Ultimately, customers that feel good about the brand and feel they have a say in the delivery of the brand experience become advocates for the brand (see Figure 2.2, p. 35).

If loyalty strategies are carefully crafted and diligently executed, reluctance may be created on the part of the customers to defect. There may sometimes be an economic reluctance to defect, because the customer feels he loses something by defecting to another brand. Other times there may also be a psychological reluctance to defect, because the customer feels engaged with the brand and feels that a mutually successful relationship is lost if he/she defects (Schneider, 1997:47).

The following four steps should be considered by a business in designing a successful customer retention strategy. These steps integrate concepts from marketing and quality management and apply them to the challenge of keeping customers (Payne, *et al*, 1998:294).

4.2.1.1 Measure customer retention

It is essential to measure customer retention, because without measurement there is no impetus to do better, no records to break – nothing is real unless it gets measured. The management of customer retention is based on the results of the measurement of the retention strategies. To measure customer retention, the internal file data is all that is required for the calculations of customer retention (Duffy, 1998:441).

The crude retention rate measures the absolute percentage of customers that are retained for future business. If the number of customers drops from for example 500 to 475, the crude rate is 95%. The crude rate treats every customer loss as equivalent. The weighted retention rate resolves this problem by weighting customers by the amount they buy. If the 25 defecting customers had unit purchases that were double the average, the weighted rate is 90% (Payne, *et al*, 1998:295).

4.2.1.2 Interview former customers

It is a mistake that businesses write off customers who are definitely lost. Businesses may learn much by talking to former customers, either directly or through a consultant. There is no need to guess why customers leave, when the business may ask customers why they have left the business and the information is likely to be more specific and actionable than usual market research (Payne, *et al*, 1998:295).

Customers defect for various reasons and are sometimes not preventable. Some defections result from external reasons – others may be prevented if corrective actions are taken or new strategies are adopted (Duffy, 1998:440).

According to Payne, *et al*, (1998:295) there are six types of defectors to consider:

- Price defectors are customers who switch to a low-priced competitor;
- Product defectors are customers who switch to a competitor that offers a superior product;
- Service defectors are customers who leave because of poor service;
- Market defectors are customers who are lost, but not to a competitor – they may go out of business or move out of the market area;
- Technological defectors are customers who convert to a product offered by companies from outside the industry; and
- Organisational defectors are customers who are lost because of internal or external political considerations.

4.2.1.3 Analyse complaint and service data

Analysing complaint and service data is the next step in the design of customer loyalty strategy.

Complaints are usually a nuisance, an irritant and an unpleasant side effect of doing business, but complaint data is important for the business that wants to identify problems that cause customer defections. For every customer who complains, there are possibly ten others who did not complain. Listening and

acting on these grievances may help retain not only the customers who complain, but more important, those who did not complain (Moreo, 1997a:20).

Complaint data must be statistically analysed. The introduction of toll-free complaint lines for businesses has increased the amount of complaint data available for analysis. The analysis must go beyond the computation of means and variances. Individual elements must be plotted to identify patterns in the data as well as elements that lie outside the normal expected range (Payne, *et al*, 1998:296).

Service data differs from complaint data. The complainer is an aggrieved individual, with a problem that may be trivial or extreme. The person who needs service is a customer with a standard, technical problem that demands and gets actual attention. Service data may offer new insights into systemic problems and may be helpful in trying to understand why customers defect. In particular, if certain service problems keep recurring, this suggests that the cause is systemic (Payne, *et al*, 1998:297).

Complaint and service data is inherently useful. If such data is not being used, it will result in poor statistical analysis or reporting (Payne, *et al*, 1998:297).

4.2.1.4 Identify switching barriers

The last step in the design of a customer loyalty strategy is to identify switching barriers.

A business must not analyse only defections, complaints and identify problems that need to be corrected. A good retention strategy must move beyond problem resolution. It should identify barriers that will prevent a customer from switching to a competitor, even a competitor who is perceived as one offering a better product at a lower price (Payne, *et al*, 1998:298).

Building customer loyalty is a business strategy and not just a marketing programme. All businesses should strive to boost loyalty and maximise share of customer (to convince this person to buy more and more of the business's products over the lifetime of the relationship). The pursuit of customer loyalty is a perpetual one. The loyalty strategy must pervade the organisation and become part of its culture (Duffy, 1998:446).

Relationship marketing allows a business to coordinate all activities with a focus on building value for the customer and the business to achieve greater customer loyalty. Therefore both, the customer and the business, benefit from building and retaining a loyal customer base and are discussed accordingly (McEachern, 1998:485).

4.3 BENEFITS OF A LOYAL CUSTOMER BASE

Zeithaml and Bitner, (1996:173) state that both parties – the business and the customer may benefit from customer retention.

4.3.1 Benefits to customers

Customers will remain loyal to businesses when they receive greater value relative to what they expect from competing businesses. When businesses may consistently deliver value from the customer's point of view, the customer benefits from the relationship with the business and has an incentive to stay in the relationship (Gill, 1991:39).

In some long-term customer/business relationships, the business may actually become part of the customer's social support system. The social support benefits resulting from these relationships are important to the customer's quality of life (personal and/or work life), above and beyond the technical benefits of the service provided. For example, the proprietor of a local retail store become a central figure in the neighbourhood and knows the entire family of customers personally as well as their special needs (Zeithaml and Bitner, 1996:174).

4.3.2 Benefits to the business

Retailers start to realise the long-term impact of a customer's lifetime value and view their customers as valuable assets in the same manner as inventory, personnel and positive name recognition. A retailer's storeroom full of merchandise has no value, if the customers are buying from its competitors (Schneider, 1997:46).

Loyal customers may lead to increased revenues for businesses, which may result in predictable profit and sales, because loyal customers are more likely to purchase additional goods and services (Gremier and Brown, 1999:1).

Another particularly salient benefit is word-of-mouth communications (WOM). Loyal customers often generate new business through WOM recommendations to prospective and other existing customers of the business (Zeithaml and Bitner, 1996:176).

An indirect benefit of customer retention is employee retention. When a business has a stable base of satisfied customers, it is easier for the business to retain its employees. People like to work for businesses whose customers are happy and loyal. Their jobs are more satisfying and they are able to spend more of their time fostering relationships with customers. When employees stay with

businesses, the service quality improves and turnover costs reduce, which result into higher profits (Zeithaml and Bitner, 1996:176).

If businesses really know how much it costs to lose a customer, they will be able to make accurate evaluations of the value of loyal customers (O'Malley, 1998:5).

4.4 CREATING CUSTOMER VALUE THROUGH RELATIONSHIP MARKETING

The term "customer value" may be understood in different contexts. An increasingly common perspective argues that creating and delivering superior customer value to high-value customers will increase the value of a business. High-value customers quantify the monetary worth of individual customers to the business, whereas value of a business quantifies a business's worth to its owners. Customer value, on the other hand, takes the perspective of a business's customers, considering what they want and believe that they get from buying and using a business's product (Woodruff, 1997:140).

4.4.1 Defining customer value

According to Woodruff, (1997:139), a cursory look at the definitions of customer value reveals a surprising diversity of meanings.

- Value is the customer's overall assessment of the utility of a product, based on perceptions of what is received and what is given (Zeithaml and Bitner, 1996:176).
- Customer value is market perceived quality adjusted for the relative price of your product (Gale, 1994:xiv).
- According to Butz, *et al*, (1996:63), customer value is the emotional bond between a customer and a business. If the customer has used a product/service offered by a particular business and he/she has experienced good value, it may result into repeat business.

Customer value is what customers perceived rather than objectively determined by a business. These perceptions typically involve a trade-off between what the customer receives (quality, benefits, worth, utilities) and what he or she gives up to acquire and use a product (price, sacrifices) (Woodruff, 1997:140).

4.4.2 The customer's value to the business

Customers may be seen as part of the business's most valuable assets. Customers do not only pay for goods and services, but if businesses are sensitive to customer feedback, the business may find out how to influence customers to spend more. It is therefore important for businesses to understand

a customer's entire value chain, not only as it is at a specific moment, but also as it evolves over time. Therefore the business has to discover the long-term value of customers - how much do they spend with the business over their lifetime. The volume of business a customer creates over the years, measures lifetime value. The higher a customer's lifetime value, the more should be spent by the business on retaining that customer (Geller, 1997:58).

According to Zeithaml and Bitner, (1996:176), one way to determine the total value of loyal customers to the business is to estimate the increased value or profits that accrue for each additional customer who remains loyal to the business. This total value of loyal customers may be calculated by simply calculating the customer's average purchases over their average lifetime with that particular business. For example by multiplying an average R100 per week grocery bill by 50 weeks per year times an estimated ten-year life of a loyal customer equals R50 000 life-time value of one store patron. This simple calculation may be used to assess at least preliminarily the lifetime value of customers in a variety of industries.

4.4.3 How businesses may provide value to customers

Customer value represents the perceived benefits that customers believe they will receive from ownership or consumption of a product or a service. The perceived price may be translated into the maximum price that a customer will

pay for the product/service. The value of a customer may therefore be best defined as the direct benefits that accrue to a business as a result of a customer's loyalty and continued patronage (Payne, *et al*, 1998:6).

Adopting a customer value delivery orientation requires businesses to obtain extensive knowledge about their markets and target customers. Managers must translate the knowledge into superior performance, which means that a business's internal processes (policies, procedures and employees performances) for delivering value, must be brought in line with what customers value as important (Woodruff, 1997:139).

Those businesses that genuinely listen to their customers and understand their problems are those that will find solutions for customers' problems and in doing so, provide customer value (Slater and Narver, 1994:22).

Butz and Goodstein, (1996:65) differentiates three levels of customer value:

4.4.3.1 Expected value

The expected value level is the level that is normal to that business. It means that the business provides those goods and services that customers have come to expect. The business provides reasonably priced more-or-less on-time services. There is nothing particularly memorable about the service being

delivered and not much to distinguish one business from another. Each attempt to add customer value is quickly copied by the competition.

4.4.3.2 Desired value

These are features that add value for the customer, but are not expected because of the business's standards. According to Butz, *et al*, (1996:65), it does not require sophisticated market research to detect that customers want clean and attractive stores, friendly and attentive salespeople. Many customers have learned not to expect these features. An understanding of what customers truly care about provides the business with an opportunity to meet their desires. The degree to which the business may find ways of increasing customer value, enables it to gain a competitive edge and establishes a desired level of customer value.

4.4.3.3 Unanticipated value

When referring to the unanticipated value, the business finds ways to add value that is beyond the customer's expectations or even desires, at least on a conscious level. It may include unusually prompt customer service, greater willingness to solve a customer's problems, additional services at no extra cost or anything else that unexpectedly meets customer needs.

According to O'Malley, (1998:5), loyalty schemes provide benefits, which represent "value" to customers and therefore encourage loyalty. However, the extent to which loyalty schemes offer "value" to customers is questionable, because value represents different meanings to different people and will be different in different contexts.

Duboff (1997:23) stated that there are actually different routes to building value-based loyalty, for example loyalty schemes and database marketing.

4.5 THE ROLE OF CUSTOMER LOYALTY SCHEMES IN RETAINING CUSTOMERS

Loyalty schemes may be defined as customised packages that meet specific needs and provide special previews of new offerings (Duboff, 1997:23).

The quest for increased customer loyalty is based on the concept of selling to a single customer as many products as possible. Customer loyalty schemes are now increasingly used to retain existing customers, to increase value and frequency of purchases and to attract new customers (Muller, 1998:18).

4.5.1 The importance of loyalty schemes

Loyalty schemes are important because it may accelerate the loyalty cycle of new customers and they are encouraged to behave like established customers. This is only possible if the schemes are planned and implemented as part of a loyalty-management strategy. This happens when the business has found ways to share the values of loyalty with the customers – in proportion to the value of the loyalty they provide. The key to a successful loyalty scheme lies in a sustainable strategic approach (Muller, 1998:18).

The idea behind a loyalty scheme is to tap into the customer's desire to receive something for free and as such gain market share for the business. Schemes which "reward" customers for their loyalty supposedly persuade those customers to return for additional purchases (Lawrence, 1999:10).

According to O'Malley (1998:5) schemes are more relevant when customers are capable of achieving the rewards they value. For example, having to spend over R2000 on groceries to earn a free trip is hardly relevant to customers when they calculate the relative costs involved.

There are two basic forms of loyalty schemes: One that offers specials, which guide people to follow the lowest prices or to buy a product just for the premiums available. The other offers an emotional reward – something that people might

have thought were no longer possible, for example free study, or child care by an appropriate baby-care products manufacturer or life-education courses for teenagers by an anti-acne treatment provider (Lawrence, 1999:11).

Dowling and Uncles (1997:6) suggest loyalty schemes that directly support the value proposition and positioning of the target product, fit the goals of loyalty marketing more efficiently.

O'Brien and Jones (1995:79-80) identify five elements, which determine the value of loyalty schemes. They include cash value (how much the reward represents a proportion of spending); choice of redemption options (the range of rewards offered); aspirational value (how much the customer wants the reward); relevance (the extent to which rewards are achievable); and convenience (ease of participation in the scheme).

The potential of a loyalty scheme to attract members depends not only on the value of its rewards, but also on when the rewards are available. According to Dowling and Uncles, (1997:6) research in psychology suggests that when a loyalty scheme's redemption rewards are delayed, they are less powerful. Businesses may alleviate this problem by regularly sending their customers a statement of accumulated points. Typically, the statements are accompanied by promotional material about the aspirational value and ease of achieving various rewards.

According to Dowling and Uncles (1997:6), the direct support of the target product's value proposition increases the chance that the scheme will build loyalty for the product and not just the scheme.

Although it is acknowledged that few schemes today offer all five elements of value, it is clear that businesses that want to take part in the reward game should be sure that their value measures up to customers' expectations (O'Brien and Jones, 1995:79).

4.5.2 Objectives of Loyalty Schemes

Loyalty schemes are developed for a variety of reasons, including to reward loyal customers, to generate information, to manipulate consumer behaviour and as a defensive measure to combat a competing scheme (O'Malley, 1998:6).

4.5.2.1 Reward loyal customers

Most retailers' aim with a scheme is to reward repeat purchasing. This may be achieved through a combination of discounts and other "rewards" eg. bonus points, free vacations and coupons. Consumers are motivated to participate in such schemes, because most people usually like to get something for free (Evans, *et al*, 1997:307).

4.5.2.2 Generate information

“Knowing who the best customers are, what they buy, and how often, provides a secret weapon” (Stone, 1994:37). Until recently, store-based retailers have not been in a position to recognise their customers, let alone identify their best customers. The reason for that is because store-based retailers did not automatically collect and record customers’ detail. Most retail systems have been designed to capture information on products and *not* customers, which help businesses with their inventory control. Loyalty schemes provide retailers with both the justification and mechanism to collect personal data. Due to the rewards offered, customers have willingly co-operated in terms of data provision. Therefore retailers have been able to combine merchandise and customer profile information. The information held by the retailer on individual customers may also be linked with data from a variety of other sources (eg. geodemographics, lifestyle and credit history) in order to build an accurate picture of a customer’s life. Tactically, this information may be used to improve the targeting process of specific customers to make special offerings to them (Stone, 1994:37).

4.5.2.3 Manipulate consumer behaviour

Although the stated aim of most schemes is to reward loyal customers, the fundamental aim of most schemes is to manipulate consumer behaviour.

Incentives and coupons may be individually targeted, in order to encourage customers to try new products or brands; increase multi-pack purchases; pay premium prices and use the brand for increasingly diverse purposes (O'Malley, 1998:6).

4.5.2.4 Defensive measure to combat a competing scheme

According to Dowling and Uncles (1997:73), in practice the decision to launch a scheme is often motivated as much by fear of competitive parity as by anything else. Businesses implement a loyalty schemes as a defensive measure against competitors. Therefore businesses attempt to differentiate a parity brand; preempting the entry of a new brand and preempting a competitor from introducing a similar loyalty scheme.

4.5.3 **Types of loyalty schemes**

A number of supermarkets and other retailers have introduced loyalty schemes over the past few years and several methods are discussed accordingly:

4.5.3.1 Retail loyalty cards

Loyalty cards become a popular strategy among retailers for collecting information about customer purchases and for offering "reward points" and other

promotions. They are currently offered across a wide range of retail and leisure outlets. Loyalty cards usually allow customers to collect points with each purchase which are recorded on the magnetic strip on the back of the card, together with the details of the items purchased. When a customer has collected a certain number of points, he/she may collect a gift (Rowley, 2000:2).

Since most schemes (eg. Edgars, Clicks, Jet and Woolworths in South Africa) today are card-based, it has become far more convenient for customers than earlier sales promotions, because they do not have to worry about retaining receipts (O'Brien and Jones, 1995:79).

The retail card is an effective way to build customer loyalty. Nowadays the retail stores issue a credit or charge card for use in a defined group of retail outlets to encourage repeat purchases. The card makes purchasing more convenient for the customers and provides information concerning the customers' purchasing cycle (Linton, 1993:200).

The retail store has to offer something special over and above the normal credit card facilities to attract and retain users' loyalty. The following approaches may be used:

4.5.3.1.1 *Special offers*

One approach to attract users and retain their loyalty is to make special offers to customers who use their cards on certain sale days or who purchase up to a certain value. To let the cardholders feel privileged, there should be a loyalty bonus for regular or frequent purchase. Leaflets are usually available and part of the in-store merchandising material to tell customers about the full range of facilities they may get through their loyalty cards (Linton, 1993:200).

4.5.3.1.2 *Special Previews*

Previews of sales or other special events may be used to attract cardholders and encourage additional spending. For example, an invitation to a spring sale with an additional discount to cardholders may provide the right level of incentive.

4.5.3.1.3 *Extending the use of the card*

A retailing group may add value to a store card by extending its use to other group stores, which gives the customer additional purchasing power without applying for additional cards. It introduces the customer to the scope of the retailing group and encourages sampling of other outlets (O'Brien and Jones, 1997:77).

4.5.3.1.4 *Additional financial services*

The retailer may offer additional financial services, for example banking and cash withdrawal facilities to cardholders, so that they enjoy the highest levels of convenience (Lawrence, 1999:11).

4.5.3.1.5 *Other approaches*

In South Africa, for example, the Edgars group provide 24-hour emergency service for their club members which includes medical transport provided by Medical Rescue International (MRI), a guaranteed response by Police, Fire, Traffic or Security services and roadside assistance provided for accidents or breakdowns (Club Together Magazine, 2000:2).

Adult and tertiary education may also be provided. Bursaries totaling R4 million per year have been granted to club members and their dependants (Club Together Magazine, 2000:2).

24-Hour Telephone advisory carelines are available for cardholders registered as a club member. Telephone counseling for trauma victims, doctors on standby to give medical advice, bereavement counseling and advice on funeral arrangements, wills and free telephonic legal consultation by qualified attorneys

may be provided. There is a funeral plan available, which amounts to R3000 for club members and R1500 for their spouses.

All these benefits mentioned above may be enjoyed by paying only a monthly amount of R9.75, which includes a free monthly mega shopping magazine and credit at all the stores, which form part of the Edgars group (Club Together Magazine, 2000:2).

A new benefit added to loyalty schemes is to give the public access to kiosks, with their loyalty cards.

4.5.3.2 Retail loyalty kiosks

Loyalty kiosks are placed at supermarket store entrances where customers may use their loyalty cards. The customer swipes the loyalty card in the loyalty kiosk and the screen displays offerings and information only available to cardholders (Rowley, 2000:3).

To encourage repeat purchasing, the retailer may use sales promotion techniques to build customer loyalty at point-of-sale areas in the store.

4.5.3.3. Building customer loyalty with gift vouchers

A number of widely used promotional techniques to enhance repeat purchasing may be used and may be integrated with longer-term schemes to build loyalty. Gift vouchers encourage repeat purchasing, regardless of competitor pricing or other forms of discounting. These vouchers are collected each time that the customer makes a purchase and exchanges it for attractive gifts (Linton, 1993:203).

The retailer must take into consideration that the gifts should be of good quality, which reflects the brand image of the product. It is the quality of the gift, which distinguishes it from other low-quality promotions. Lower value gifts enable a retailer to reward customers frequently and quickly, while the higher value prices encourage customers to purchase regularly over a long period of time (Linton, 1993:203).

The above-mentioned techniques may be used by any business that sells its products through retail outlets to reward loyalty and encourage repeat purchases. Advocates of loyalty schemes contend that they are profitable and beneficial to the business (O'Brien and Jones, 1995:75).

4.5.4 Benefits of loyalty schemes

Dowling and Uncles (1997:77) propose the following benefits of loyalty schemes:

- The costs of serving loyal customers are less than that of new customers. In serving a new customer, specific start-up costs are accrued, such as prospecting, credit checks and entering the customer's account details in a database, which exceeds the cost of serving an existing customer.
- Loyal customers are less price sensitive, depending on how important they think price is and the value proposition that the brand offers. Usually a brand is only in one price category and less price-conscious people have the opportunity to buy at either the cheaper or higher price depending on the functional or psychological aspect, which justifies the brand's higher price. It is perceived brand value and not brand loyalty that drives price sensitivity.
- Loyal customers spend more with the business, because they have a higher buying frequency than less loyal customers.
- Loyal customers pass on positive recommendations about their favourite brands or suppliers.

The most significant tool that becomes more prevalent in all organisations in order for the business to receive customer loyalty benefits as discussed in the above-mentioned paragraphs, is the creation and utilisation of the database (Goodkin, 1991:2).

4.6 THE ROLE OF DATABASE MARKETING IN RETAINING CUSTOMERS

To build value-based loyalty, businesses may use a database to acknowledge key events in the customer's life or to track and accommodate personal preferences (Duboff, 1997:23).

Database marketing is emerging as an important tool, as the marketing world prepares for changes that call for new tools and approaches. Database marketing enables marketers to tap into unused data they already have about their customers and to convert it into important knowledge. By using database marketing to its fullest potential, marketing researchers may apply meaning to the customer data being collected (Palmquist and Ketola, 1999:29).

A database is simply a record of customer information stored mostly in a computer. It begins with the capturing of a name of a potential customer, with the primary objective to start and nurture a long-term relationship with customers. It should be the goal of businesses to build a bank of customer information on those who will stay and buy the business's products, and eventually even

introduce other customers to its product or service (Direct Marketing Unit of the South African Post Office, July 1995).

The database provides a basis for keeping and analysing records that may enable the business to measure, control, predict and implement strategies to improve the following:

- the lifetime value of a customer;
- the profitability and return on investment of a customer;
- the effect of multiple channels or sales activities on each other and on the value of the customer;
- the amount the business is spending to generate customers by using different media and techniques;
- the effects of marketing strategies on the relationship between the customer and the business;
- segmentation by pinpointing and isolating profitable and unprofitable customer groups;
- approaches to customers by personalising marketing communication; and
- product development (Goodkin, 1991:4).

Different authors have defined and described database marketing as follows:

4.6.1 Definition of database marketing

To better understand the term database marketing, a definition will be given followed by a description thereof.

Roberts (1997:27) defines database marketing as follows, and the researcher supports this definition because of its completeness:

Database marketing is the application of statistical analysis and modeling techniques to computerised, individual-level data sets. It is used to support the development of cost-effective marketing programmes that communicate directly with identified customers and prospects, and to track and evaluate the results of specific promotional efforts. Database marketing implies planned communication with individually targeted customers and prospects over an extended period of time to promote repeat purchases of related goods and services.

4.6.2 Description of database marketing

Rudolph (1996:20) describes database marketing in its simplest form as just using the business's own database system as the key instrument and the resource for marketing to customers on a long-term basis.

Rosenfield (1998:28) states that marketers should not confuse a marketing database with database marketing: The marketing database is a tool for storing information about customers, while database marketing is a dynamic approach to manage customers.

Database marketing makes it easier to identify the valuable customer segments and enables businesses to realise the potential profit loss associated with each of those customers by identifying how much each has spent in their stores (Johnson, 1994:36).

Database marketing is translating computerised information on individual customers into successful marketing campaigns and long-term customer retention. Businesses have to create an information database about individual customers and use this to analyse their buying and inquiry patterns. This analysis will allow the business to contact specific individuals with specific offerings that suit the client's needs when and where needed (Stone, *et al*, 1995:70).

Kephart (1997:1) states that database marketing is the basis of relationship marketing. The purpose of the database is twofold: To enable the marketing and sales staff to maintain the business's current base of customers – to retain them as loyal and active customers and to broaden the base with new customers.

It is a challenge for traditional consumer marketers to develop and maintain a database and to use the database effectively. The paragraph being discussed below provides a guide for applying database marketing to build customer loyalty (Schoenbachler and Gordon, 1997:7).

4.6.3 The application of database marketing to build customer loyalty

Database marketing has become an integral asset to business due to the evolution of relationship marketing. Businesses realise that in order to remain competitive, they need to build a relationship with their customers. One method to build such a relationship with customers is by making use of database marketing. Database marketing collect data such as customers' names, addresses and purchases, which provides marketers with information that enables them to build a better relationship with their customers (Schoenbachler and Gordon, 1997:5).

Peppers and Rogers (1995:16) provide an example of how a computer database enables a retailer to practise database marketing to build customer loyalty. They use the example of a customer who orders a birthday bouquet or present from a florist to send to his mother. With the following year, three weeks before his mother's birthday, the retailer's computer system sends the customer a reminder postcard.

The retailer is practising an important service, because he reminds a valued customer of his mother's upcoming birthday and makes it easy for the customer to give his business to this particular retailer and therefore retain this customers' loyalty (Peppers and Rogers, 1995:16).

The following may be used to co-ordinate the database marketing efforts in the customer loyalty building process:

4.6.3.1 Target the right people

The database supports the targeting of the right people. Even if the message is good, it will not be effective if it is conveyed to the wrong people. Responses must be linked to the relevant prospects and the right product to the right people. Businesses must ensure that their mail goes to those people who are most likely to respond (Direct Marketing Unit of the South African Post Office, 1995:21).

To build customer loyalty, it is critical for businesses to know their customers in as much detail as possible, not just their names and addressable characteristics, but their habits, preferences and so forth. Once a business has identified its customers, it will help the business to focus its efforts to gain the most advantage with the most valuable and loyal customers. The business will then be able to

tailor its behaviour to each customer in order to reflect that customer's value and needs (Peppers and Rogers, 1999a:151).

Relationship marketing requires up-to-date information about customers. The database should contain information about customers, the types of marketing action they have responded to and how they have responded. This information is critical in managing relationships with customers proactively (Stone and Woodcock, 1996:109).

By collecting up-to-date information about customers, database marketing supports the communication process with customers (Eben, 2000:63).

4.6.3.2 Support communication with customers

Cram (1994:3) stresses the importance of good communication when saying that his business knew exactly what they wanted to say to their customers, but that the business needed a unique approach to convey the message. To ensure that the right people received the right offerings at the right price, businesses have to set up customer profiles and databases. The idea that the customer is important must be communicated all the time to build a good relationship.

Customers of today are not as loyal as in the past and are continuously bombarded with offerings from an ever-increasing spectrum of media from an

increasing number of competitors. The business today must take into consideration all moments of interaction (communication) with an existing or potential customer. To build customer loyalty revolves around a dynamic database of information about prospects and actual customers. To build a relationship with a customer, marketing programmes must be created that use the right marketing mix to build (and sustain) a bond built upon emotions and shared values (Direct Marketing Unit of the South African Post Office, 1995:20).

The newest information technology is making it possible for large, as well as small businesses to communicate effectively with customers and to build one-to-one customer relationships. A business may make "share of customer" (to convince this person to buy more and more of the business's products over the lifetime of the relationship) its goal with the aid of a computer's database, which may be used to memorise every customer's different needs (Peppers and Rogers, 1995:17).

With the advances in computing and communicating technology it is within the reach of every business to make use of a "share of customer" approach. It is less expensive and most cost-efficient to focus and concentrate on individual customers instead of overall market share (Peppers and Rogers, 1995:17).

Although database marketing is a long-term investment in customer loyalty, the basis for creating loyalty should already receive attention during the building of the database (Linton, 1995a:16).

4.6.4 Building a database

According to Direct Marketing Unit of the South African Post Office (1995:20), a database may easily be compiled by starting with the useful information a business has on its customers and prospects. If a business is building its own database, the first step it is to develop a list that is unique and ideally suited to the business. If the database is properly constructed and maintained, the prospects may be selected and targeted individually, which allows the business to deliver to each one a relevant personalised message. Personalised messages may enhance the loyalty building process, because the customer feels an affinity towards the business.

The following steps may be used to build a loyalty-supporting database for the business:

4.6.4.1 Collecting information

The database is only as useful as the information that is in it. It is necessary to update all the information regularly to recognise the customer at every contact

point and at every location (Direct Marketing Unit of the South African Post Office, 1995:21).

The following are rich sources of data (Direct Marketing Unit of the South African Post Office, 1995:20):

- Telemarketing sources;
- Games and competitions;
- Questionnaires;
- Credit or payment schemes;
- Inquiries for product information; and
- Exhibition visitors.

4.6.4.2 Customer information that needs to be collected

The database may be extended if factors such as age, sex, sales history, payment record and method of payment are added to the business's database and may become a valuable loyalty building tool (Payne, *et al*, 1998:279).

The information that needs to be collected would typically include the following:

- *Personal data* from consumer records including name, age, marital status, number of children, income bracket, lifestyle indicators and credit indicators (Eben, 2000:62).
- *Business records* including name, job description, phone and fax number, department or division, authoriser/influencer/buyer, SIC coding and personal address record (Direct Marketing Unit of the South African Post Office, 1995:22).
- *Address data* including postal and physical addresses. In both the consumer and business-to-business records, problems may occur in database marketing due to incorrect address information (Direct Marketing Unit of the South African Post Office, 1995:22).
- *Accounts and payment data* may be used to determine the individual's creditworthiness and would include the account or reference number, account-type, last data used, balance and account "worth" indicator (how much the customer may purchase from the business throughout his/her lifetime) (Eben, 2000:62).
- *Activity data* indicates how the customer behaves. Activity not only indicates purchases, but also describes a customer's responses, for example whether or not he/she entered a competition or accepted a trial offer. This type of data

would include a source code, activity data, frequency of responses and value of responses (Direct Marketing Unit of the South African Post Office, 1995:22).

4.6.5 Using the database to retain customers and build loyalty

A database provides worthwhile insights into businesses' customers and provides many opportunities for marketing to them. Customers may be invited to evaluate a new model or attend a demonstration when the existing product becomes obsolete and has to be replaced. Such a gesture would indicate to them that the business values their opinion. Similar products, or products that suited customers' lifestyles, may be cross-sold to customers with similar needs (Palmquist and Ketola, 1999:30).

The Direct Marketing Unit of the South African Post Office (1995:20) suggests several ways that businesses may creatively use their databases:

- *Use the power of personalisation.* Customers seek a high level of personalisation. Tailored service inspires loyalty. Businesses that tailor their offerings depending on individual tastes will attract consumers interested in that service (Tapp, 1998:152).

- *Never ignore negative responses.* Just because people have not responded to the business's mail communication, does not mean they have to be ignored. There might be hidden problems and potential areas for improvement. If these problems could be removed, customers' loyalty would be enhanced (Palmquist and Ketola, 1999:29).
- *Always address the message to the individual* in his/her home language. A database gives you the means to distinguish between different language groups. To send messages in customers' own language, together with the use of personalisation, supports the loyalty building process as discussed above (Tapp, 1998:151).
- *Identity numbers are valuable* additions to the database, because they provide the individual's age, which forms an important part of the customer profile. It allows the business to merge and purge its lists and to avoid duplication of mailing pieces, which works against loyalty building (Newell, 2000,59).
- *A database will help to discover facts* which are directly relevant to the sale of the business's product, for example then the business will know not to offer a portable pool to a flat-dweller and therefore cater for the individual's needs which enhance loyalty (Schoenbachler and Gordon, 1997:7).

Businesses may achieve successful results with database marketing techniques by adhering to the following basic principles.

4.6.6 Database marketing principles

Poulos (1997:46) suggests twelve principles to successful database marketing, which may be used as a yardstick with the customer loyalty building process.

4.6.6.1 Foundational phase

The first six principles form the foundational phase, which deals primarily with business issues, and assures that the business drives the technology. The foundational phase requires a thorough analysis of what information the business needs to track, where it may be obtained, and how it will be used, to provide the foundation the business needs to build and retain a loyal customer base.

4.6.6.1.1 *Successful database marketing is not a technology issue*

Database marketing is about a new way of doing business that includes establishing processes and measurements to ensure that the business acts on information acquired at the contact level. The starting point is determining what the business needs to accomplish, what information the business needs to do and how the corporate culture needs to be changed to make it happen – only

then should the business look for the technology to give it assistance (Poulos, 1997:46).

4.6.6.1.2 *Draw a picture or process diagramme of how the marketing database needs to work*

The designers of the database/campaign have to understand how they are going to use the data they acquire. Then it must be determined what the business needs to know to plan an effective campaign for each application, as well as how, where and by whom this information may be acquired. This forms the content of the process diagramme. A flow chart may also be prepared that shows precisely the movement of information into and out of the database (Poulos, 1997:47).

4.6.6.1.3 *Develop an effective customer contact plan*

It is important that the business should capture all relevant customer contact information to manage customer relationships. The primary issue with customer loyalty is the integration of all contact information across the business to ensure that the right message is being delivered to the right person via the right medium at the right time (Payne, *et al*, 1998:285).

4.6.6.1.4 *Focus on any output, which will be used outside the business's direct control*

The best, most insightful information is only as valuable as the uses to which it is put. It is therefore essential for the business to have its end goals clearly in mind and to gather ideas from the people who will need to be involved with customer contact. The business must make sure that the data it is intended to acquire will support the operations of the business. This implies that the employees who work with the customer data need to be educated on how to synthesize the data and how to use it with sensitivity. Anchoring expectations about relationship and dialogue management will allow the business to create value and provide relevance in every contact they make with customers (Linton, 1995a:74).

4.6.6.1.5 *Do not equate direct marketing with direct mail or telemarketing*

Direct marketing is not a synonym for direct mail or telemarketing. It refers to a system of marketing by which businesses communicate directly with target customers to generate a response or transaction. Direct marketing uses direct-response media, which includes direct mail (mail that is personalised and sent to targeted customers) and telemarketing (a way to contact customers individually by phone) to communicate directly with customers and support the loyalty building process (Belch and Belch, 1999:452).

4.6.6.1.6 *The business must build databases manually before automation*

Unless the business begins by using a paper-based system, it might be found difficult to fine-tune the programme to identify gaps and make changes to the database. It is essential to do a thorough evaluation of questions such as what to collect, from whom and what to report, and to whom (Peppers and Rogers, 1995: 18).

According to Poulos (1997:48) the last six principles explore the implementation phase and are essential to database marketing success, because it deals with harnessing the computer to turn the business's objectives to build loyalty into practical reality.

4.6.6.2 Implementation phase

The implementation phase consists of the following principles:

4.6.6.2.1 *Collect only data that will be used in the next twelve months*

It is the best-proven way to continually breathe new life into the database by defining and acquiring the information the business absolutely and positively has to run with the loyalty building process, and by measuring success of the marketing campaign within the next year (Poulos, 1997:48).

4.6.6.2.2 *Be rigid, not flexible*

Successful database marketing is not based on gathering information, but on using the data and creating relevance and value at every point of contact. The business must be strict and gather information with consistent guidelines, otherwise it may end up with a junk pile – information that is not relevant (Eben, 2000:63).

4.6.6.2.3 *Centralise data and validate outside input files*

The business must not allow everybody involved with customer contact opportunities and a computer to supply information for this process. Access and the integrity of the data may be destroyed if there is a lack of discipline in the data entry (Poulos, 1997:48).

4.6.6.2.4 *Use a simple, but proven software package*

Businesses must understand the content, and not the format, before they begin to shop for a computer system or a programme to implement database marketing, which supports customer loyalty (Newell, 2000:59).

4.6.6.2.5 *Build and refresh your database online with telemarketing*

In the integrated marketing communication programme (the co-ordination of the promotional mix elements in order to communicate with customers) the highest contact frequency with customers and prospects comes from the telemarketers. These are the people who get relevant and up-to-date information that may be shared across the business (Peppers and Rogers, 1995:18).

4.6.6.2.6 *Build a prototype – not a pilot*

A prototype may be expected as work in progress. Any thriving and learning business is in a constant state of change. The more the business learns about how to apply its database, the more it is likely to see the value of further additions and changes. The more these changes and modifications are aimed at providing value to the customer, the greater the ultimate value to the business (Poulos, 1997:49).

According to Poulos (1997:46) these are the most common points at which database marketing programmes may go askew in the real world.

Database marketing programmes may be used to address a number of business issues and enables marketers to tap into unused data that businesses already

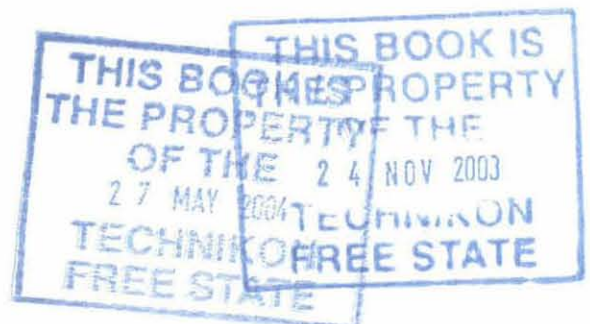
have about their customers and helps to convert it into important information (Palmquist and Ketola, 1999:29).

The use of database marketing may be beneficial to both the marketer and the consumer and the reasons are discussed below (Schoenbachler and Gordon, 1997:3).

4.6.7 Benefits of database marketing

According to Schoenbachler and Gordon (1997:4) the benefits of database marketing are:

- Database marketing allows the marketer to create more targeted promotion – it allows marketers to segment their markets more efficiently. The marketer saves money and the consumer is not irritated by endless streams of junk mail and thereby aids to build loyalty (Johnson, 1994:36);
- Database marketing increases the diversity of product offerings because consumers are demanding more choices. Database marketing therefore allows marketers to segment more efficiently and to offer many choices to customers and satisfy their needs, which results in loyalty (Peppers and Rogers, 1995:17);



- As customers become more educated, they require more information about the products and services that are purchased. The database allows salespeople and customer service representatives to provide information for customers and prospects very quickly, and by this means offers unprecedented levels of service to customers (Palmquist and Ketola, 1999:30);
- It may be updated with promotions, and responses to these promotions, by determining what types of offerings are the most effective, the best timing of offerings and the segments most responsive to different offerings(Schoenbachler and Gordon, 1997:4);
- Database marketing encourages customer retention and reduces customer attrition. It does not only help to keep loyal customers, but facilitates conversion of one-time customers to loyal customers (Parasuraman, 2000:169); and
- Marketers may now identify opportunities to sell additional products that customers may be interested in by maintaining a record of customer purchase history in a database (Schoenbachler and Gordon, 1997:3).

Despite the desire for business relationships and partnering, businesses do not often behave in a manner that makes them effective in achieving customer

loyalty and the resulting long-term profits they desire. The information businesses capture in their databases and how it has been used to reach out to customers, is the key to achieving customer loyalty and long-term relationships (Eben, 2000:62).

4.7 SUMMARY:

Customer loyalty is one of the most important issues facing businesses today. Unless businesses may retain the loyalty of their customers, they will not be able to ensure repeat business and their long-term future will be uncertain (Linton, 1993:vii).

The better use of marketing information, which entails customer and market information, may lead to increased efficiency and effectiveness, the development of long-term customer relationships, increase customer loyalty, reduce brand switching and enhance cross-selling opportunities (Payne, *et al*, 1998:278).

The next chapter entails the methodology used in the collection and analysis of the data obtained for this study. It will discuss the means of data collection, the pilot study, questionnaire design, the sampling procedure and the means used for analysis.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

A full discussion has been given in chapters two to four on the theoretical concepts of relationship marketing, customer service and customer loyalty. In order to assess whether these issues regarding customer retention are being carried out in practice, a survey was conducted in food- and clothing retail chain stores in the Bloemfontein area. The methodology used for the empirical study is discussed in this chapter.

5.2 RESEARCH DESIGN

Churchill (1995:144) defines the research design as the framework or plan for a study, used as a guide in collecting and analysing data. Thus, a research design ensures that the study will be relevant to the problem. Three main types of research designs exist, namely exploratory-, descriptive- or causal research.

Exploratory research is essentially concerned with developing a more comprehensive understanding of research problems, and provides the market manager with ideas and insights about broad and vague research problems.

Causal research is concerned with determining *cause-and-effect* relationships, which typically take the form of experiments. Descriptive research provides answers to the questions who, what, when, where and how. The goal is essentially to describe a problem/phenomenon. Data collected through descriptive research can provide valuable information about the study units along with relevant characteristics, and about associations among those characteristics (Churchill, 1995:145).

This research project is an example of descriptive research, as it determines and reports important aspects concerning Food- and Clothing retail chain businesses' customer retention activities by employing relationship marketing strategies, such as how to achieve the desired results and who are responsible for managing the programmes. The purpose of this thesis is to investigate national food- and clothing retail chain businesses' customer retention practices, and to determine if these practices are relevant to the literature as discussed in chapters two to four.

According to Gay and Diehl (1992:234) the descriptive research method is the most popular method to use due to the fact that it is useful for investigating a variety of business-and-management problems, and because a high percentage of reported research studies are descriptive.

5.3 METHOD OF DATA COLLECTION

The data utilised for this research project was collected from both primary and secondary sources. The secondary data comprises information which currently exists, and which is outlined in the reference list. Computer searches for timely information have been undertaken at the library of the Technikon Free State. A list of all the food- and clothing retail businesses situated in Bloemfontein was obtained from Telkom and from the Chamber of Commerce.

The researcher received a weekly newsletter, with articles concerning relationship marketing, via the Internet from Don Peppers & Martha Rogers. They are renowned authors and present frequent workshops relating to relationship marketing. The "ebSCOhost" (information retrieval tool with some full-text articles) has also been contacted via the Internet for relevant secondary data.

Several methods can be used to collect primary data as described by Parasuraman (1991:206), namely:

- Personal interviews
- Telephone surveys
- Mail questionnaires
- Observation

All of these methods were considered and the questionnaire and personal interviews were selected as the primary data-collecting tools in both the pilot study and the main research. Each research method has unique advantages and limitations and it is believed that the questionnaire and personal interviews are more suited to this study than other methods due to the following reasons:

- The sample population is large and time constraints were always present;
- The entire sample (National Food- and Clothing Retail Chain Businesses in the Bloemfontein area - see paragraph 5.5.2) received the same questionnaire, instructions and cover letters;
- Ease in understanding and interpretation of the questions and answers if any uncertainties might arise;
- To ensure that all the questions were correctly answered and responded to; and
- Ease in tabulation and analysis.

5.4 THE QUESTIONNAIRE

A structured, nondisguised questionnaire was used in this research study. A number of questions were developed after completion of the literature search and they were related to the problem area, which are the customer retention activities employed by retail chains in Bloemfontein. It was structured in such a way as to cover the objectives of the proposed study (see Chapter 1) in detail.

5.4.1 Design and layout

A 4-point Likert scale was included ranging from always (score one) to never (score four). This allowed respondents to differentiate between different statements, that might both be rated as very important. Multiple-category and multiple-choice questions with single answers were also included in the questionnaire. The multiple-choice questions allow the respondents to give two or more replies, which are applicable to their situation and retail business. The multiple-choice questions with single answers are fixed-alternative questions where more than two alternatives are listed. These types of questions have been used because certain information was classifiable into fairly fixed categories.

The questions in the questionnaire address several aspects, such as to obtain more clarity on how the customer-based relationship marketing is understood and practised by the respondents, and to determine which customer definitions of perceived value would be important to retailers. The questions also addressed customer loyalty and -satisfaction.

To accelerate the research process, the researcher delivered the questionnaires personally. The questionnaires were then completed with the aid of personal interviews and if the respondents did not have the time to complete the questionnaires immediately, they were asked to complete the questionnaires by themselves within ten days. This procedure limited the waste of time and

increased the response rate and ensured timely information, which enabled the researcher to make timely comparisons and evaluations on current market conditions, due to the fact that business strategies change as quickly as the market changes.

The physical layout had much to do with the ease in which the respondent answered the questions. Consistent alignment of questions, symbols and instructions helped in making the questionnaire easier to read and answer. The questions were not asked in any specific order, as there would be no real benefit to be gained from doing so.

Completed questionnaires have been verified for completeness, accuracy and consistency. A copy of the questionnaire is included as Appendix B

5.4.2 Validity and reliability of questionnaire

The accuracy and validity of results derived from research are to a large extent influenced by the manner in which the data was collected. Validity refers to the extent to which the measuring device (in this case the questionnaire) measures what it was designed to measure (Dillon, *et al*, 1993:293).

Reliability, as been described by Parasuraman (1991:443), measures the extent to which events are reproducible. If a measurement scale is reliable, then

repeated measurements of the same characteristic would yield similar results over time. Reliability implies that a consistent, stable and accurate measurement instrument should be used.

As mentioned in paragraph 5.4, a pilot study was conducted to ensure that there could be no misunderstanding of questions, and confusion. Several people have carefully scrutinized the research instrument used in this survey. Dr Cay van der Merwe (Director: Institutional Research at Technikon FS), mr Jacques van Schalkwyk from Customer Service Solutions (a business that specialises in developing customer service strategies and providing training to retail businesses to improve their service delivering) and nine retail chains in Bloemfontein, gave their insight to this survey instrument. This was conducted to determine if all relevant topics had been covered. It might then be concluded that this questionnaire has good content validity and is reliable.

5.4.3 The cover letter

A cover letter accompanying the questionnaire is one of the most important mechanisms for increasing the response rate. According to Dillon, *et al* (1993:313), the letter serves as a questionnaire introduction, which describes the nature and purpose of the study in such a way as to make the respondent feel more at ease. The cover letter used in this survey was directed at Consumer Service Managers, Public Relations Officers or people responsible for Customer

Service at all the national food- and clothing retail chains in Bloemfontein. Other points addressed in the cover letter are the reason why this study is important, the promise of confidentiality, and what to do if problematic questions arise. Time constraints were mentioned and a due date was stated. If excluded, this might have led to a reduction in the response rate.

5.4.4 Pilot study

The questionnaire was initially distributed to a non-random convenience sample of nine (9) food- and clothing retail chains and other experts as mentioned in 5.4.2, in order to establish whether –

- The vocabulary was simple, direct and familiar to respondents
- Any of the words have vague or ambiguous meanings
- Any of the statements are inapplicable to respondents
- Any of the instructions are potentially confusing

The respondents were then asked to provide comments and criticisms on any or all of the statements and instructions, as well as on the layout and structure of the questionnaire in its entirety. The changes arising from respondent feedback were made prior to the distribution of the final questionnaire.

5.4 SCOPE OF THE RESEARCH

5.5.1 Research population

Seventy (70) food- and clothing retail businesses in the Bloemfontein area were approached to take part in this survey. This represents one hundred percent of the population of national food- and clothing retail chains situated in Bloemfontein. The total population of this survey include the Consumer Service Managers, Public Relations Officers or people responsible for customer service at all the national food- and clothing retail chains in Bloemfontein.

5.5.2 Sample

It was decided to concentrate only on National Food- and Clothing retail chain businesses in Bloemfontein, because they represent all the large stores in the rural districts of the Free State province. It is assumed that the results that will be obtained from this survey will be representative of the national chains in the rest of the country. The decision to use Bloemfontein in this survey was also due to cost and time constraints.

Central Statistical Service was contacted to attain the Retail Trade Sales Survey for January - May 2001. The statistics used for this survey is indicated in table 5.1 as follows:

TABLE 5.1 : RETAIL TRADE SALES ACCORDING TO TYPE OF MERCHANDISE

RETAIL TRADE	R million sales
Food Products	21 749.2
Clothing	10 701.0
Beverages	3 603.5
Inedible groceries	4 449.2
Textiles	1 471.2
Household furniture	3 715.0
Domestic appliances	1 787.4
Audio appliances	733.0
TV sets	728.9
Glass & Crockery	1 761.3
Footwear	2 611.4
Other domestic furnishings (carpets, mattresses etc)	870.1
Pharmaceuticals, patents and other medicines, bandages and cosmetics and toiletries	6 212.1
Books, magazines, newspapers and stationery	4 449.2
Sport and recreation requisites	2 405.6
Jewellery, silverware, watches and precious stones	777.6
Hardware (building materials etc)	2 602.0
All other merchandise (Including cigarettes and tobacco)	2 814.0
TOTAL RETAIL TRADE SPENDING IN RSA	70 587.0

Source: Central Statistical Service - Retail Trade Sales Survey (January-May 2001)

The retail trade sales indicated in the table 5.1, is a survey covering a sample of private enterprises (firms) operating in the retail trade industry in South Africa. The survey collects information on the total sales of retail trade establishments (branches) from each enterprise in the sample.

A total amount of R43 151,2 million was spent from January until May 2001 on food- and clothing merchandise, in comparison with the total amount of R27 435,8 million having been spent on the other merchandise as indicated in the table above. The food- and clothing retail industry represents sixty one percent of the total retail trade sales in RSA (table 5.1). Therefore, the researcher has come to the conclusion, after analysing these statistics, that the food- and clothing retail trade represents the largest amount of consumers' expenditure, and therefore the survey will only include these retail areas.

5.5.3 Respondents

The primary data comprises collecting data from Consumer Service Managers, Public Relations Officers and/or people responsible for customer service at all the national food- and clothing retail stores in Bloemfontein. The respondents have to be directly or closely in contact with customers, due to the fact that these people are the link between a business and its customers. These people are responsible for developing relationships with the business's customers. Respondents meeting these criteria were identified by telephone calls and approached by letters and faxes, requesting participation.

5.6 METHOD OF SYSTEMATISING AND ANALYSIS OF DATA

After the questionnaire responses had been obtained, the researcher analysed

the data. This was done after editing the data, verifying the data for accuracy, coding the responses and variables, categorising the variables and lastly keying the data into the computer. It was done with the aid of a Microsoft Excel computer programme.

The statistical package SPSS was used to analyse the data. The frequencies of each categorical variable were determined and are represented graphically with bar- and pie charts.

The study was qualitative of nature, therefore no statistical calculations like hypothetical tests, inferences and regression analysis have been used. Cross-tabulation of certain variables were done to determine whether a significant relationship between variables exists. Frequency tables were also used.

5.7 SUMMARY

In this chapter the methods used in the empirical study were discussed. Reasons were also provided for the methods used. The results and analysis of the data collected will be addressed in chapter six.

CHAPTER 6

RESULTS OF THE EMPIRICAL STUDY ON THE INVESTIGATION OF NATIONAL FOOD- AND CLOTHING RETAIL BUSINESSES' CUSTOMER RETENTION ACTIVITIES IN THE BLOEMFONTEIN AREA

6.1 INTRODUCTION

This chapter contains an overview of the empirical results obtained from the data. Each of the five sections of the questionnaire will be discussed separately, with cross tabulations where applicable.

A list of all the food- and clothing retail businesses situated in Bloemfontein was obtained from Telkom and from the Chamber of Commerce. Seventy questionnaires were distributed. (See paragraph 5.5.2, p. 158 for explanation). A total number of forty-three respondents out of seventy completed the questionnaire. This is a response rate of 61 percent, and is regarded as high enough to be representative of the total population. Most of the information collected through the survey was of categorical nature. The survey was conducted through personal interviews and mail questionnaires, which improved the reliability of the results.

6.2 PURPOSE OF THE EMPIRICAL RESEARCH

As stated in chapter one (p. 6), one of the reasons why businesses lose their customers, is because they do not have good or any customer retention strategies in place. Therefore it was decided, with the latter in mind, to conduct a survey to investigate retail businesses' customer retention strategies.

The primary objective of this research project was to determine if national food- and clothing retail chains, which are situated in Bloemfontein, employ customer retention- and relationship marketing strategies.

The secondary objectives of this research include:

- Determine the customer service standards of the participants of this research study;
- Determine if retail businesses apply and employ customer loyalty practices and database marketing principles;
- At the end of this study, and after an evaluation of the findings of this research, recommendations will be made by means of a relationship marketing model.

The results of this empirical study are discussed accordingly.

6.3 RESULTS OF THE EMPIRICAL RESEARCH

6.3.1 Company Details

As the survey was conducted amongst Food- and Clothing retail businesses' customer retention activities, it was necessary to get a profile of the number of respondents who took part in this investigation.

6.3.1.1 Company Demographics

Respondents were asked to indicate the industry in which they operate.

TABLE 6.1 : FREQUENCY DISTRIBUTION OF THE RESPONDENTS ACCORDING TO INDUSTRY TYPE

Respondents	Frequency (n)	Percent (%)
Clothing retail	28	65.1
Food retail	11	25.6
Both	4	9.3
Total	43	100.0

Of the total number of respondents included in the survey 25,6 percent belonged to the food retail industry, 65,1 percent to the clothing retail industry, and 9,3 percent to both the food- and clothing retail industries, as seen in table 6.1.

6.3.1.2 Job titles of respondents

Respondents were asked to indicate their job titles in the retail business, as summarised in table 6.2.

TABLE 6.2 : THE JOB TITLES OF THE RESPONDENTS

Job title	Frequency (n)	Percent (%)
Manager	35	81.3
Assistant manager	3	7.0
Customer service manager	2	4.7
Owner	2	4.7
Partner	1	2.3
Total	43	100.0

Of the total number of respondents 81,3 percent indicated that their job title is that of a manager, 7 percent assistant managers, 4,7 percent customer service managers, 4,7 owners and 2,3 percent partner owners. Therefore it can be said that most of the respondents are in managerial positions. Managers are responsible to ensure that employees maintain good customer relations (Linton, 1995b: 53-54). As a result, it may be assumed that the respondents in managerial positions will be familiar with all the aspects of relationship marketing. Therefore it may imply that the respondents are suitably qualified to give an accurate indication of the above-mentioned topics.

6.3.1.3 Predominant functional area of the respondent's job

To determine the predominant functional area of the respondents in their current jobs it was necessary to determine the number of respondents directly responsible for customer relations. The respondents were asked to describe the predominant functional area of their jobs. The results are illustrated in table 6.3.

TABLE 6.3 : PREDOMINANT FUNCTIONAL AREA OF RESPONDENTS' JOBS

Predominant functional area	Frequency (n)	Percent (%)
General Management	20	46.5
Customer service relations	12	27.9
Sales	9	20.9
Marketing	2	4.7
Total	43	100.0

Although 81,3 percent (table 6.2) of the respondents replied that their job title is that of a manager, only 46,5 percent indicated that their predominant functional activities are those of general management. It is a concern to see that only 27,9 percent of the respondents' predominant functional areas include customer service relations. Customer relations is one of the most important aspects to be considered by the management of retail businesses (Payne, 1994:1). The respondents have to deal with customers as part of their normal activities, including relationship marketing. Therefore it can be stated that the small percentage of the respondents, whose predominant function is customer relations, is not in line with the importance of the function.

6.3.1.4 Number of employees in the local retail store

The aim here was to determine the size of the business in terms of its employees, in order to investigate if this has an influence on its customer retention activities. The respondents were asked to indicate the number of employees they have in their local retail business, and the results are shown in table 6.4.

TABLE 6.4 : THE NUMBER OF EMPLOYEES EMPLOYED IN THE LOCAL RETAIL BUSINESS

Number of employees	Frequency (n)	Percent (%)
Fewer than 50	34	79.1
50 to 100	4	9.3
100 to 200	4	9.3
More than 200	1	2.3
Total	43	100.0

Most of the respondents employ less than 50 employees (79,1 percent), 9,3 percent employ between 50 and 100 employees and 9,3 percent employ between 100 and 200 employees. Only one respondent employ more than 200 employees (2,3 percent of respondents). The fact that 79,1 percent of the businesses are small (less than 50 employees) is one of the reasons why the retailers do not employ enough customer relations specialists who can pay attention to customer relations and the delivery of excellent customer service. Because only 27,9 percent indicated that customer relations form the predominant function of their activities, this function has to be executed in most cases by managers with other commitments, which can lead to insufficient attention to customer relations.

6.3.2 Customer Service

It was clearly stated in paragraph 3.10, (p. 80), that the quality of customer service might be the reason why some customers buy from specific businesses instead of from their competitors. The aim of section two of the questionnaire (Appendix B) was therefore to determine which customer service standards and -activities retail businesses employ to ensure high levels of customer satisfaction. The relationship building process is based on customer satisfaction.

6.3.2.1 Customer service standards

As stated by Grönroos (1990:42) quality customer service helps to build good customer relations. It is important that businesses understand what the customer buys and determine how additional value can be added to the product or service being offered, in order to provide quality customer service. The successful implementation of customer service standards can be a powerful tool to gain a competitive edge and to establish long-term relationships with customers.

The respondents were asked to indicate which standards regarding customer service their retail store currently has in place. The results are summarised in table 6.5.

The respondents regard the following customer service standards as important: Courteous and friendly staff (95,3 percent); prompt and courteous response to customer complaints and good quality products (93 percent); accurate response to

customer enquiries (90,7 percent); a wide variety of merchandise available (88,4 percent) and well-trained and competent staff (86 percent).

TABLE 6.5: CUSTOMER SERVICE STANDARDS

Standards	Yes (%)	No (%)
Courteous and friendly staff	95,3	4,7
Prompt and courteous response to customer complaints	93,0	7,0
Good quality products	93,0	7,0
Accurate response to customer enquiries	90,7	9,3
A wide variety of merchandise available	88,4	11,6
Well-trained and competent staff	86,0	14,0
Individual and personal attention to each client	76,7	23,3
Extended shopping hours	74,4	25,6
Sufficient customer parking	74,4	25,6
Professional appearance of staff	74,4	25,6
Communicating prices and invoicing procedures clearly and concisely	69,8	30,2
Rewarding staff for good quality customer service	69,8	30,2
No-questions asked return policy	53,5	46,5
Other standards (eg. free alterations, free delivery, fashion hotlines, free gift wrapping, free shoe repairs etc)	7,00	93,00

Aspects such as individual and personal attention to each client (76,7 percent); extended shopping hours and professional appearance of staff (74,4 percent) are regarded moderately important by respondents. The concern is that communicating prices and invoicing procedures clearly and concisely, rewarding staff for good quality customer service, and no-questions asked return policy are regarded less important by respondents.

If businesses do not communicate their prices and invoicing procedures clearly and concisely to their customers, it may lead to dissatisfied customers and may cause customers to turn to competitors.

Although 100 percent of the respondents (table 6.16, p.207) regard high customer service levels as important, only 69,8 percent reward their employees for delivering good quality customer service. Therefore it may be stated that 30,2 percent regard high quality customer service as important, but do not apply high customer service levels effectively in their retail businesses. This might influence the relationship with customers negatively.

Rewards and recognition also play an important role in the relationship building process, because if employees know that they will be rewarded for achievements, they are instantly motivated to improve their own performance in being customer-focused, as stipulated in chapter 3, paragraph 3.13. Therefore, businesses that do not offer rewards to their employees for delivering excellent customer service might experience that their employees become unmotivated and less customer-orientated.

It has also been indicated in table 6.5 that only 53,5 percent of the retailers have a no-questions asked return policy. If retailers regard high customer service levels as important, it is necessary that retailers deal with customers' complaints and problems sufficiently to ensure satisfied customers. If retailers possess a reputation of caring about its customers, it will help the business to build lasting relationships with them (Moreo, 1997b:14). Therefore it can be stated that retailers may experience problems in satisfying their customers, lose their customers, and may also not be able to gain a competitive edge if not dealing with customers' problems and complaints in an effective way.

Other standards such as free alterations, free delivery, fashion hotlines, free gift wrapping and free shoe repairs are the least regarded by all respondents (only 7 percent). In the interviews it became apparent that these standards are usually customised to the needs of individual customers. Customised products and services for individual customers form an integral part of a relationship marketing strategy (Peppers and Rogers, 1998:153). Therefore problems with customer retention may be experienced by 93 percent of businesses, which do not employ these customised services. It might also be difficult to ensure that their customers are fully satisfied with the service being delivered.

The retention rate of customers of the retailers who do not apply these customer service standards, may decrease, especially where the customer service delivery does not measure up to high standards. Businesses have to pay more attention to these aspects to ensure that they deliver high customer service levels in order to build lasting relationships with their customers.

6.3.2.2 Measurement of consistency of high quality customer service

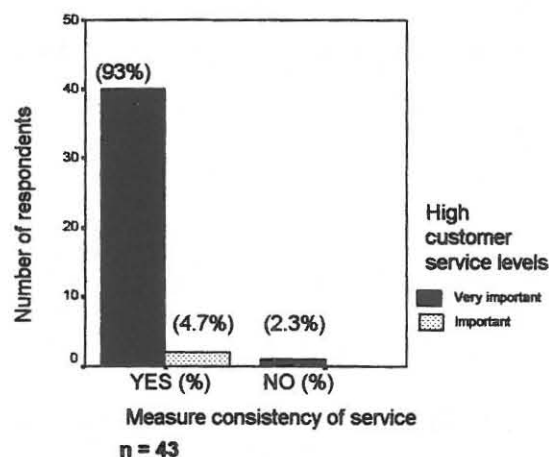
As mentioned in paragraph 3.12 (p. 85), businesses that set customer service standards, must ensure that their employees maintain these standards. Therefore it was necessary to determine if the respondents employ measurements to ensure that the standards are maintained.

**TABLE 6.6 : NUMBER OF RESPONDENTS WHO MEASURE THE CONSISTENCY
OF HIGH QUALITY SERVICE**

Respondents	Frequency (n)	Percent (%)
Yes	42	97.7
No	1	2.3
Total	43	100.0

As stated in the table above, almost all respondents (97,7 percent) replied that they do measure the consistency of high quality service being delivered. The measurement of consistency of high quality customer service will enable the business to close the gap between customers' expectations of service quality and the actual performance being delivered, as stipulated in paragraph 3.12.1 (p. 86).

**GRAPH 6.1 : THE RELATIONSHIP BETWEEN THE IMPORTANCE OF HIGH
SERVICE LEVELS AND THE MEASUREMENT OF THE
CONSISTENCY OF HIGH QUALITY CUSTOMER SERVICE**



The delivery of high quality customer service levels are important for building a relationship with their customers, to ensure that customers are fully satisfied with the purchase and the service being delivered by the retailer. It is therefore important that retailers continuously measure the consistency of high quality service.

Most of the respondents {97,7 percent - (93 + 4,7 percent)} in graph 6.1, who regard high customer service levels as important when building relationships with customers, also measure the consistency of high customer service levels. Even the respondents (one) who do not measure the consistency of high customer service levels (2,3 percent), regard high customer service levels also as important when building relationships with customers. No respondents regard it as unimportant.

From the above it may be derived that the respondents have the perception that they deliver high quality customer service, and that they have a good relationship with their customers. This perception has been proved wrong in paragraph 6.3.4.2 (p. 201).

6.3.2.2.1 *Quality control processes used to ensure consistent high quality customer service*

The use of quality control processes may ensure that the right level of customer service is delivered consistently. It is therefore essential that businesses' control processes be in place. The respondents were asked to indicate which control processes they do have in place, in order for high quality customer service to be delivered consistently.

TABLE 6.7 : CONTROL PROCESSES MOST OFTEN BEING USED

Control processes	Respondents (%)
Customer care training	74
Mystery shopping	67
Employee's research	51
Soliciting customer complaints	44
Customer satisfaction survey	44
Focus group interviews	40
After-sales surveys	30
Other (On-going training and "Moments of Truth")	2.3

n>100% : Respondents could indicate more than one

The control process most often used to ensure that high quality customer service is consistently delivered, is customer care training (74 percent), followed by mystery shopping (67 percent), as indicated in table 6.7.

Although 97,7 percent of the respondents (table 6.6) replied that they measure the consistency of high quality customer service, it is surprising to see that only 44 percent (19 respondents) indicated that they use customer satisfaction surveys, and 30 percent (13 respondents) use after-sales surveys as control processes (table 6.7). If businesses do not conduct some surveys on customer satisfaction or allow customers to inform them on how to satisfy them, businesses will not likely be able to create customer satisfaction in the future and to retain them as loyal customers (Linton, 1995b:187). Usually many customers do not complain, they just turn to a competitor if they are not satisfied with the quality of customer service of a business. It is therefore necessary that businesses continuously ensure that their customers are fully satisfied throughout the buying process.

Only 2,3 percent of the retailers replied that they are providing on-going training to their employees and ensure that “moments of truth” (see p. 30) are adhered to in their stores in order to deliver good quality customer service consistently. The “moments of truth” enable the customer to feel at ease in shopping at this specific store, and everything in the store contributes to this. It is expected from all the employees of these specific stores to adhere to all the important aspects of the “moments of truth”. These aspects include window displays and a front entrance which welcome customers into the store, the way that the products are placed on shelves and priced to ease the purchasing process, the customer service provided at the fitting rooms, the service centre which includes the point of sales, and the credit office which deals with the accounts and after-sales services provided. If retailers do not adhere to customers’ expectations, no relationships will exist and customers will switch to competitors.

6.3.2.3 Measurement of customer expectations

The measuring of customers’ expectations may assess the real quality of customer service that should be delivered. Therefore the respondents were asked whether they measure the expectations of customers.

TABLE 6.8 : MEASURING CUSTOMERS’ EXPECTATIONS

Respondents	Frequency (n)	Percentage (%)
Yes	37	86.0
No	6	14.0
Total	43	100.0

As indicated in table 6.8, a large percentage of the respondents (86 percent) replied that they measure customers' expectations. According to Gerson (1993:34), it is vital that businesses learn more about their customers' current and future needs in order to build a long-term relationship with them.

Customers' overall satisfaction with a business can be influenced by their expectations as stated in paragraph 3.8, therefore businesses may use several measurements to learn more about customer expectations.

6.3.2.3.1 *Instruments used to measure customer expectations*

According to Gerson (1993:34), it is important for businesses to determine what customers require and what they expect from the business, in order to keep customers happy, to retain them and to continuously deliver high quality service. The respondents were requested to indicate the instruments that are used to measure their customers' expectations.

TABLE 6.9 : INSTRUMENTS USED TO MEASURE CUSTOMER EXPECTATIONS

Instruments	Respondents (%)
Follow-up efforts	56.8
Questionnaires	56.8
Telephone surveys	45.9
Rate of complaints	40.5
Customer service cards	27.0
Other (Outside company surveys, focus groups, "moments of truth" surveys and word-of mouth from customers themselves)	10.8

n>100% : Respondents could indicate more than one

Of the 86 percent who replied that they measure customers' expectations, it was interesting to see that questionnaires and follow-up efforts (both 56,8 percent) are mostly being used as instruments to measure customer expectations. The other instruments, as seen in the above table, are used to a lesser extent to communicate with customers regarding their expectations. It has also been observed that only 10,8 percent of the respondents use outside company surveys, focus groups, "moments of truth" surveys (what the customers expect from the business) and word-of-mouth from customers themselves to measure customers' expectations. The questionnaire, when used in conjunction with other forms of measurement, provides a valuable diagnostic tool for evaluating the business' service quality performance.

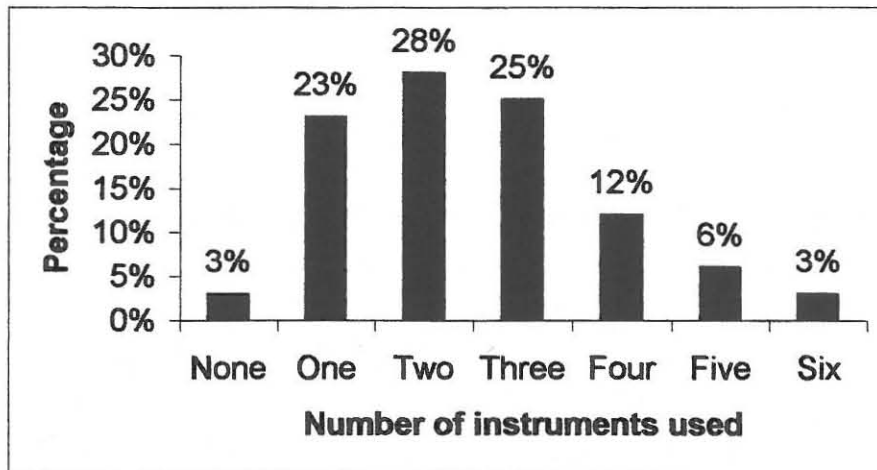
From the above-mentioned results it may be derived that only half of the respondents use several instruments to measure customer expectations. If customers' expectations are not measured continuously, retailers will not be able to keep customers satisfied, and no relationship will exist between the retailer and its customers. The more satisfied a customer, the better the chances of creating loyal customers and repeating business will be (Linton, 1995b:193).

6.3.2.3.2 *Number of instruments used to measure customer expectations*

It is essential that all retail businesses should measure their customers' expectations with as many as possible instruments to know exactly what customers expect from their businesses (Gerson, 1993:32).

Graph 6.2 revealed that of the 86 percent of the respondents, who indicated that they measure customer expectations, 23 percent use only one instrument, 28 percent use two instruments, 25 percent use three instruments, 12 percent use four instruments, 6 percent use five instruments and 3 use six instruments. One respondent (3 percent), who responded positively on the measurement of customer expectations, did not indicate the use of any instrument.

GRAPH 6.2 : NUMBER OF INSTRUMENTS USED TO MEASURE CUSTOMER EXPECTATIONS



As indicated in graph 6.2, only 46 percent of the retailers (of those who measure customer expectations – Table 6.8) use three or more instruments to measure customer expectations. The 54 percent retailers who use only one or two instruments may experience a problem. They might not receive a true measurement of what their customers expect from their retail businesses. The more instruments used, the better the determination of customers' expectations (Gerson, 1993:35).

6.3.2.4 Measurement of customer satisfaction

The chances of repeating business may be enhanced when customers are satisfied. For customers to become loyal, it is essential that businesses have to measure customer satisfaction levels continuously (Linton, 1995b:193).

It was enquired if the respondents measure customer satisfaction. Eighty-eight comma four percent of the respondents indicated that they measure customer satisfaction, while 11,6 percent do not measure it. Problems may arise with those retailers who do not measure customer satisfaction. No relationship can be build with customers if they are not fully satisfied, and if businesses do not measure customer satisfaction continuously.

TABLE 6.10 : THE FREQUENCY DISTRIBUTION OF MEASURING CUSTOMER SATISFACTION

Respondents	Frequency (n)	Percentage (%)
Yes	38	88.4
No	5	11.6
Total	43	100.0

The results revealed that almost all the respondents measure customer satisfaction, so a very positive scenario is sketched here. The 11,6 percent that do not measure customer satisfaction should give urgent attention to this aspect of customer service.

Next, the type of instruments being used by the respondents to ensure that their customers are fully satisfied, were determined.

6.3.2.4.1 *Instruments used to measure customer satisfaction*

As stated in par. 3.12.4.2 (p. 94), businesses can use several instruments to measure customer satisfaction in order to provide managers with relevant data for making effective decisions in the management of their businesses.

The respondents were asked to indicate the type of instruments used by them to measure customer satisfaction, and the results are indicated in table 6.11.

TABLE 6.11 : INSTRUMENTS USED TO MEASURE CUSTOMER SATISFACTION

Instruments	Respondents (%)
Follow-up efforts	63.2
Questionnaires	52.6
Telephone surveys	44.7
Rate of complaints	42.1
Customer service cards	26.3
Other (Eg. Active shopper cash card, in-store surveys, door-to-door surveys – regular customers and word-of-mouth from customers themselves)	10.5

n>100% : Respondents could indicate more than one

The instrument mostly used by the respondents to measure customer satisfaction is follow-up efforts (63,2 percent), followed by questionnaires (52,6 percent).

Rate of complaints, as instrument, is used by only 42,1 percent of the respondents. This is a concern, as soliciting customers' complaints will enable the business to identify weaknesses in the retailers' customer service delivery system. A high rate of complaints indicates problem areas and also enables the business to rectify mistakes. If not

considered as a measurement of customer satisfaction, retailers will definitely not be able to ensure customer satisfaction at all.

As indicated in table 6.11 it may also be noticed that 10,5 percent of the retailers use other instruments as measures of customer satisfaction in conjunction with the list provided in the table. The other measurements include an Active Shopper Cash card (to get a profile of customers who purchase products with cash), in-store surveys (where customers may be intercepted while shopping in the store), door-to-door surveys of regular customers and word-of-mouth from customers themselves. These instruments require special efforts from the business and therefore it may be concluded that only a small percentage of the retailers go out of their way to ensure that their customers are fully satisfied. This will impact negatively on retention efforts.

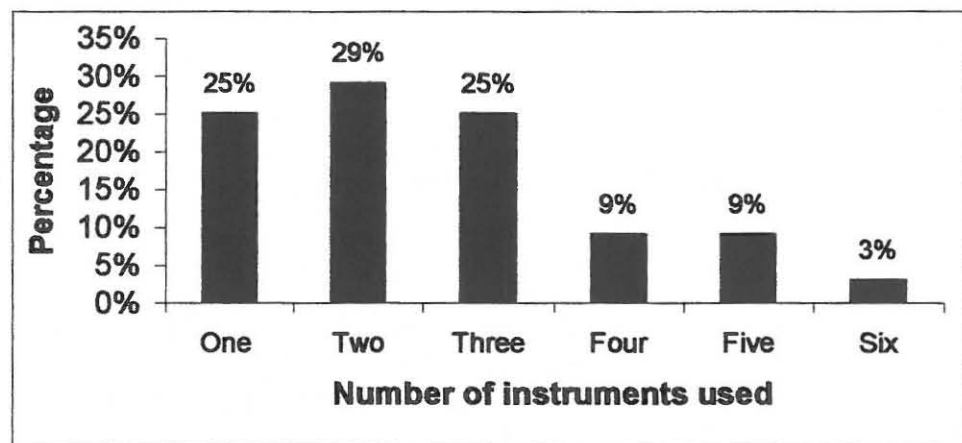
It is very important that businesses use several instruments to measure customer satisfaction to ensure that their customers are satisfied throughout the purchasing cycle, in order to retain customers for future business (Hoffman and Bateson, 1997:314).

6.3.2.4.2 *Number of instruments used to measure customer satisfaction*

Businesses cannot build effective relationships with their customers if they do not measure customer satisfaction levels or ensure that their customers are fully satisfied. This fact is stressed in the literature by several authors (Linton, 1995b:85; Dorrain, 1997a:15; Brown, 1997a:15).

From the respondents who answered that they do measure customer satisfaction in table 6.10, it has been derived that 25 percent use one instrument, 29 percent use two instruments, 25 percent use three instruments, 9 percent use four and five instruments respectively and 3 percent use six instruments to measure customer satisfaction.

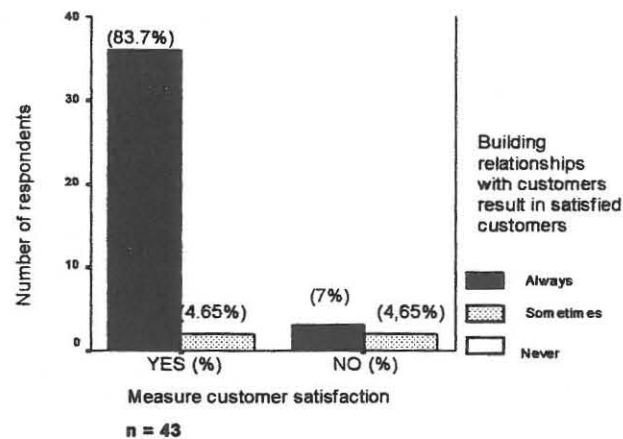
GRAPH 6.3: NUMBER OF INSTRUMENTS USED TO MEASURE CUSTOMER SATISFACTION



The respondents (only 46 percent) who measure customer satisfaction, indicated that they use three or more instruments to measure customer satisfaction. A problem can be experienced by the other retailers (54 percent), who use only one or two instruments, due to the fact that they might not be meeting customers' immediate needs, and might not be able to ensure that their customers remain satisfied. The more a variety of instruments is used, the better the retailer will be able to monitor customer satisfaction levels (Brown, 1997a:15).

According to Linton (1995b:193) the more satisfied a customer is, the better the chances of retaining that customer for future business.

GRAPH 6.4: RELATIONSHIP BETWEEN MEASUREMENT OF CUSTOMER SATISFACTION AND BUILDING RELATIONSHIPS WITH CUSTOMERS



It is apparent that 83,7 percent of the respondents measure customer satisfaction, and at the same time consider that customer relations always contribute to satisfied customers. Only 4,65 percent indicated that they measure customer satisfaction, but believe that building relationships with customers will only sometimes contribute to satisfied customers. It may also be derived that 7 percent of the respondents do not measure customer satisfaction but indicate that building relationships with customers will always result in satisfied customers. Of the respondents, 4,65 percent also indicated that they do not measure customer satisfaction, and believe that building relationships with customers will only sometimes result in satisfied customers.

Therefore it may be concluded that some of the respondents do not realise the importance of customer satisfaction measurement. Some of the respondents do believe that building relationships with customers will result in customer satisfaction, but they do not measure customer satisfaction. Customer satisfaction is one of the most important factors that ensure a lasting relationship with customers. If customer satisfaction levels

are not measured, the retailer will definitely not be able to build relationships, which will also lead to dissatisfied customers, but in this case it is fortunately a small percentage. As a large percentage of the retailers measure customers satisfaction, it may help that customers become loyal and will definitely improve customer relations.

6.3.2.5 Conclusion : Customer Service

A large percentage of the respondents sketch a very positive picture regarding customer service being delivered by their businesses. Most of the customer service standards receive a high rating, and almost all the respondents indicated that they measure customer expectations and –satisfaction. In spite of the above, there are a few aspects that can be highlighted as stumbling blocks that may impede the relationship building process with customers.

Not all respondents focus on paying individual and personal attention to each customer and communicating prices and invoicing procedures clearly and concisely to them. Another important factor that has been revealed is that not all respondents reward their staff for excellent customer service delivery. If employees do not receive any form of motivation for delivering good quality customer service, they will more likely not be customer-focused.

Very few respondents offer customised customer services. If businesses do not customise their products and services to the individual needs of customers, there is a possibility that no relationship will be developed between the retailer and his customers.

6.3.3 Customer Loyalty

Paragraph 4.2.1 (p.103) clearly states that if loyalty marketing strategies are properly employed, businesses will more likely build stronger and more durable relationships with customers. It is therefore essential that businesses retain their customers in order to maximise future business.

The objective of this section was to determine whether businesses have customer retention strategies in place. Several aspects were addressed to determine if these strategies are employed by either the retail store locally, by their head office, or both (the retail store locally and head office).

6.3.3.1 Important aspects to consider when building customer loyalty

As discussed in chapter two of the literature a key aspect of building relationships with customers is to collect, analyse and track customer information. In this section it was determined whether the local retail businesses consider several important aspects in building customer loyalty, which include customer communication, listing customer characteristics, measurement of customer life-time value and analysing the profiles of customers who have left the business. The results of the important aspects, concerning building customer loyalty, considered by the local retail stores, or their head offices are summarised in table 6.12.

TABLE 6.12 : IMPORTANT ASPECTS TO CONSIDER WHEN BUILDING CUSTOMER LOYALTY

IMPORTANT ASPECTS	NO (%)	YES			
		Local (%)	Head office (%)	Both (%)	Total (%)
Analysis of customer complaint data	14,0	41,9	9,3	34,8	100
Focus on retaining existing customers	9,3	34,9	53,5	2,3	100
Customer communication	7,0	37,2	53,5	2,3	100
Feel it is less expensive to retain existing customers than to recruit new customers	60,5	25,6	9,3	4,6	100
List of business's customer characteristics	25,6	18,6	32,6	23,2	100
Analysis of your business's longest-tenured customers	32,6	14,0	32,2	21,2	100
List the reasons why customers have left the business	34,9	9,3	25,6	30,2	100
Measurement of customer life-time value	34,9	7,0	23,3	34,8	100
Analysis of customers' profiles who left the business	41,9	4,7	14,0	39,4	100

This above table reveals that it is the respondents' head offices (53,5 percent) that mostly focus on the retention of existing customers and customer communication. The respondents' head offices perform most of the other functions. Problems may arise here, as the retail stores locally are usually the first contact with customers, and not their head offices, and are supposed to have all the information needed to build relationships with customers.

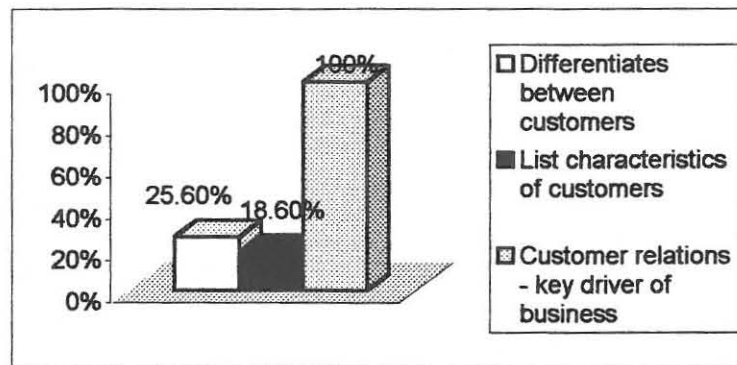
Due to the fact that the retailers' head offices do not have that close contact with customers, as local retailers do, they tend to have only general knowledge about their customers.

It seems that the retailers locally do not realise that they must have first-hand knowledge about their customers in order to build customer loyalty. This knowledge differs from area to area and entails how much the customers buy, what they buy, their payments made, the customers' preferences and dislikes and their characteristics.

It becomes apparent that most of the respondents (60,5 percent) have the misperception that it is not less expensive to retain existing customers than to recruit new ones. These respondents feel (as revealed during the personal interviews) that they spend a lot of money on advertising and marketing to expose their products and services to new and existing customers. Therefore the respondents actually feel that the cost distribution between retaining existing customers or recruiting new customers is equal. This may lead to a situation where businesses' focus is not targeted at the retention of customers. This is in contradiction to the fact that 90,7 percent of the respondents indicated that they focus on retaining existing customers.

It can be stated here that the local retailers form the first contact with the business' customers, and that customers differ from region to region. It is therefore important to differentiate between customers at a regional level by listing their characteristics, which is done by only a small percentage of the **local retailers**.

GRAPH 6.5: RELATIONSHIP BETWEEN RETAILERS WHO DIFFERENTIATE BETWEEN THEIR CUSTOMERS, LIST THEIR CHARACTERISTICS AND REGARD CUSTOMER RELATIONS AS ONE OF THE KEY DRIVERS OF THEIR BUSINESSES



Although all the respondents indicated that they regard customer relations as one of the key drivers in their retail businesses (graph 6.5), only 18,6 percent of the local retailers list their customers' characteristics and only 25,6 percent differentiate between their customers locally. Retailers can definitely not regard customer relations as one of the key drivers in their retail businesses if they do not even know that there are differences between their customers, and if the retailers do not know anything about their customers' characteristics in their respective regions.

Although the retailers indicated in table 6.12 that their head offices list the customers' characteristics and differentiate between the customers (table 6.17), it only constitutes the generic characteristics of customers on a national level. It is therefore not applicable to the relationship building process between the local retailer and his/her customers. The fact may be stressed here again that it is essential for the local retailer to build

relationships with customers, as he/she is continuously in contact with his/her customers and not the head offices.

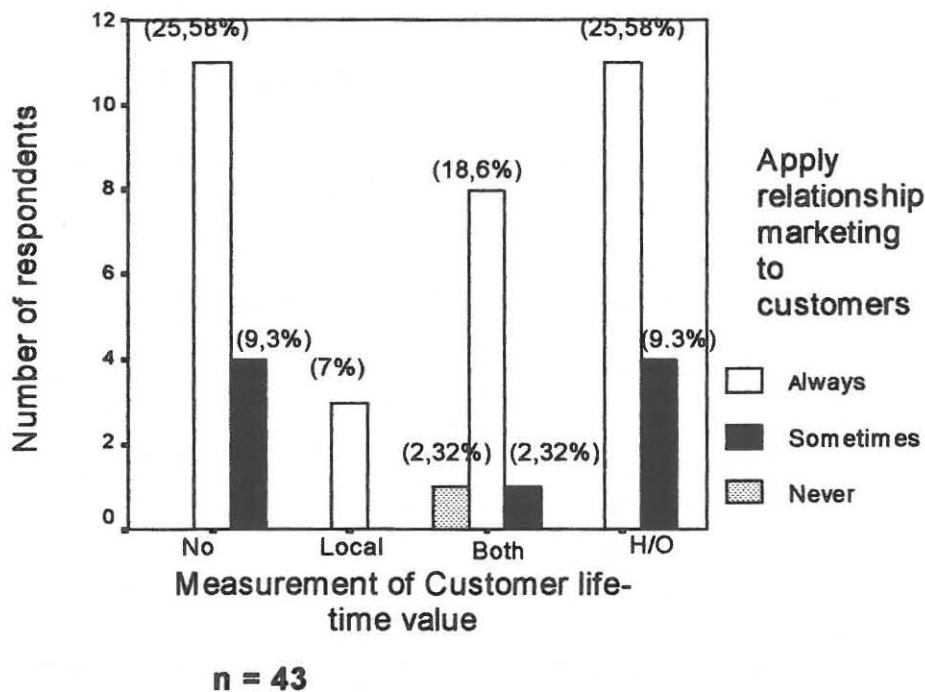
To customise products and services to individual needs and to develop relationships with customers, businesses have to differentiate between customers, as customers differ from one another. In order to differentiate between customers, it is essential that the characteristics of customers should be listed. Customised products and services form an important component of the relationship building process between businesses and their customers (Pitta, 1998:6).

In table 6.12 only 25,6 percent of the local retailers feel that it is less expensive to retain existing customers than to recruit new ones. It is clear that the respondents may experience serious problems in future, as it is far more expensive to gain new customers than to retain existing customers, as stated by Johnson (1994:36). It seems that the respondents do not calculate the costs involved in recruiting new customers and do not compare it with the costs of retaining existing customers. The above-mentioned calculations used, take into account only the quantity of the products being sold to customers.

Only seven percent of the respondents locally (table 6.12) indicated that they measure their customers' life-time value (how much they will spend in their life-time with the business). It is important for businesses to realise that 95 percent of businesses' profits come from their long-term customers. According to Johnson (1994:36) the average business spends six times more to attract new customers than it does to keep the most

valuable customers, therefore customer loyalty is worth much more than the price of a single purchase.

GRAPH 6.6: RELATIONSHIP BETWEEN MEASUREMENT OF CUSTOMERS' LIFE-TIME VALUE AND THE APPLICATION OF RELATIONSHIP MARKETING



It is clear from graph 6.6 that most of the respondents (51 percent - local, both and at head office) indicated that they always apply relationship marketing to all their customers and measure customers' life-time value. Only 7 percent of **local retailers** replied that they measure both customers' life-time value and apply relationship marketing.

It has been revealed that respondents who measure customers' life-time value at both levels (locally and head office – 2,32 percent) indicated that they never apply

relationship marketing to all their customers. Problems may be experienced by the respondents who replied that they do not measure customer life-time value but that they always and sometimes apply relationship marketing to all their customers (34,88 percent = 25,58 percent + 9,3 percent respectively). To apply relationship marketing effectively, it is important that businesses should know how much their customers spend at their retail businesses and therefore be able to identify their most valuable customers. Without the calculation of customer life-time value, the retailer will not be able to develop effective relationship marketing strategies. The amount customers spend with a business over the years form the basis of their lifetime value.

Due to the fact that the database information is readily available to the local retailers, it may be stated that local retailers might have access to their head offices' databases in order to calculate customers' life-time value.

Another problem that becomes apparent in table 6.12 (p. 186), is that only 9,3 percent of the local retailers list the reasons why customers have left their businesses, and only 4,7 percent make an analysis of customers' profiles who have left the business. Head offices, because of the lack of direct contact with local customers, cannot keep this type of information recent. It seems that the local retailers do not even know that their customers have left and may have turned to competitors. If businesses do not realise that their customers have left, and if no analysis has been made of their profiles, it is an indication that businesses have no knowledge of their customers and are not really focused on the retention of customers.

It can be derived from these results that the respondents do not know what type of customer they lose, due to the fact that no analyses have been made of the profiles of customers that have left the business. It is crucial for businesses to retain their customers for future business and to win back customers who have turned to competitors.

As stated by Slater and Narver (1994:22), businesses that provide value to customers are those businesses that genuinely listen to their customers and attempt to find solutions to the customers' problems.

After analysing the above-mentioned results, it may be concluded that only a small percentage of the local retailers (34,9 percent – table 6.12) focus on retaining existing customers. It seems that businesses do not really build relationships with their customers.

The above-mentioned fact can be attributed to the results of table 6.12, which indicated that only 7 percent of the respondents measure customers' life-time value, only 4,7 percent make an analysis of customers' profiles who have left the business, only 9,3 percent list the reasons why customers have left the business and only 14 percent make an analysis of the business' longest-existing and -tenured customers. It seems that businesses are not fully customer-focused and that they do not know their customers (how much they spend, what they buy and when they buy).

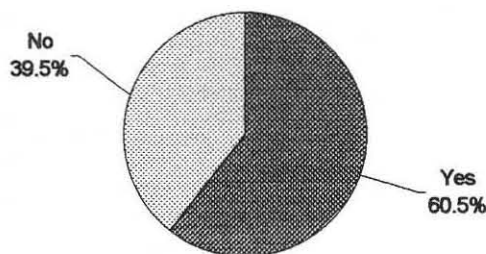
As loyalty schemes play an important role in the retention of customers, it was necessary to determine if businesses employ loyalty schemes.

6.3.3.2 Loyalty schemes

It is important that businesses recognise the importance of loyalty schemes, as they form an integral part of the relationship building process. As discussed in chapter 4 of the literature, loyalty schemes are used to provide value to customers, which will enhance the chances of retaining customers.

The respondents were asked whether or not their businesses use loyalty schemes to provide value to customers. Figure 6.1 illustrates the results:

FIGURE 6.1 : USE A LOYALTY SCHEME



As stated by Muller, (1998:18) loyalty schemes are an important tool for relationship marketing, as they accelerate the loyalty cycle of new customers to become regular buyers at the business. Loyalty schemes may also be implemented as a defensive measure against competitors. As seen in the above figure, only 60,5 percent of the

respondents indicated that they use loyalty schemes, while 39,5 percent do not use them. The latter respondents can be sure that their businesses will experience difficulty in transforming their customers into loyal buyers and might lose their customers to competitors.

The aim of most retailers' loyalty schemes is to encourage repeat purchasing, which can be achieved through the offering of several rewards with the aid of a loyalty scheme.

The retailers, who use loyalty schemes, were also asked to indicate what rewards do their loyalty schemes offer to their customers. The results are summarised in table 6.13.

TABLE 6.13: REWARDS OFFERED BY LOYALTY SCHEMES

Reward offered	Yes(%)	No(%)
Gift vouchers	53,5	46,5
Special offers	46,5	53,5
Special previews	34,9	65,1
24 Hour telephone advisory care line	25,6	74,4
Club magazines	25,6	74,4
Lucky draws	25,6	74,4
Loyalty cards with loyalty points	23,3	76,7
Medical rescue response	18,6	81,4
Adult and tertiary bursaries	16,3	83,7
Other (Eg. Competitions, cash card purchases and money saver clubs)	11,6	88,4

n>100% : Respondents could indicate more than one

The respondents mostly use gift vouchers, followed by special offerings and special previews. The loyalty scheme least used is adult and tertiary bursaries and medical

rescue response. The “other” schemes used include competitions (4,65 percent), cash card purchases (4,65 percent) and money saver clubs (2,3 percent). It therefore seems that the 60,5 percent of the respondents who use loyalty schemes, offer several rewards in order to give more value to their customers. Businesses must realise that loyalty schemes can be an excellent way to retain customers, because customers are more likely to be retained if they feel that they receive value for their money.

Problems may actually be experienced by the other 39,9 percent of the respondents who do not use loyalty schemes. They might experience difficulty in building stronger and more durable relationships with their customers, due to the fact that quality products and services are not enough to retain customers anymore.

For retailers to develop friendships and relationships with customers, it is essential that customers experience that they receive something of value from the business.

6.3.3.2.1 *Reasons for using loyalty schemes*

According to O'Malley (1998:6) loyalty schemes are developed for several reasons. The objective with this question was to determine the reasons why the local retail businesses are running loyalty schemes. The results are outlined in table 6.14.

The following reasons were selected by the local retailers for running a loyalty scheme:

TABLE 6.14 : REASONS FOR RUNNING A LOYALTY SCHEME

Reasons	Yes(%)	No(%)
To reward loyal customers	53,5	46,5
To generate customer information	37,2	62,8
To maximise the retail store profit	32,6	67,4
To increase the retail store's sales volume	32,6	67,4
To use it to gain a competitive edge	25,6	74,4
To influence customer behaviour	23,3	76,7
Other (To get profile of cash customers)	4,7	95,3

n>100% : Respondents could indicate more than one

O'Malley (1998:6) stated that loyalty schemes are mainly developed to reward loyal customers, to generate information, to manipulate consumer behaviour and as a defensive measure, to combat a competing scheme. In table 6.14 most of the respondents (53,5 percent) indicated that they use loyalty schemes to reward their customers, only 37,2 percent use them to generate customer information and 32,6 percent to increase profit and sales volume. Loyalty schemes are not used by many to influence customer behaviour (23,3 percent) or to gain a competitive edge (only 25,6 percent).

It seems that the respondents do not actually realise that they will be able to gather a wealth of information on their customers' buying habits and preferences with the aid of a loyalty scheme. This information can then be used to reinforce relationships with customers.

The respondents do not realise that the loyalty scheme may be used as a defensive measure against competitors. If businesses do not implement loyalty schemes with the view to gather information on customers, they will not be able to customise their products and services to individual needs. This will then lead to lost customers, as their needs have not been fully addressed. Therefore, the loyalty schemes may be seen as an essential factor to gain a competitive edge in order to retain customers.

Other reasons stated for using loyalty schemes are firstly to draw a profile of customers who make cash purchases and secondly, to understand customers. It represents only 4,7 percent of the respondents in both cases. It can therefore be stated that only a small percentage of the local retail businesses try to get information not only on their customers who purchase on credit, but also on their customers who make cash purchases. Businesses do not actually know or have any information on their customers who make cash purchases.

It can then be stated that businesses are not really focused on developing a relationship with all their customers (especially those who buy with cash).

If customers become loyal towards a business, they are likely to come in the habit of buying from that one particular business. Therefore the 39,5 percent of the respondents, who do not use loyalty schemes, have to consider employing it as an important aspect when building relationships with customers.

6.3.3.3 Conclusion : Customer Loyalty

It may be concluded here that the respondents do not effectively focus on building customer loyalty. This can be stated due to the fact that the respondents have indicated that they do not list their customers' characteristics in order to differentiate amongst them, no profiles have been drawn of customers who have left the business and very few respondents calculate their customers' life-time value. Therefore it seems that the respondents do not know their customers and do not attempt to transform their customers into loyal buyers.

Although a large percentage indicated that they use loyalty schemes, it seems that they do not use loyalty schemes for the right purposes. A very small percentage of the respondents indicated that they use the loyalty scheme to generate customer information and to gain a competitive edge. It seems that the respondents do not realise the importance of loyalty schemes in retaining customers and to build and reinforce relationships with customers.

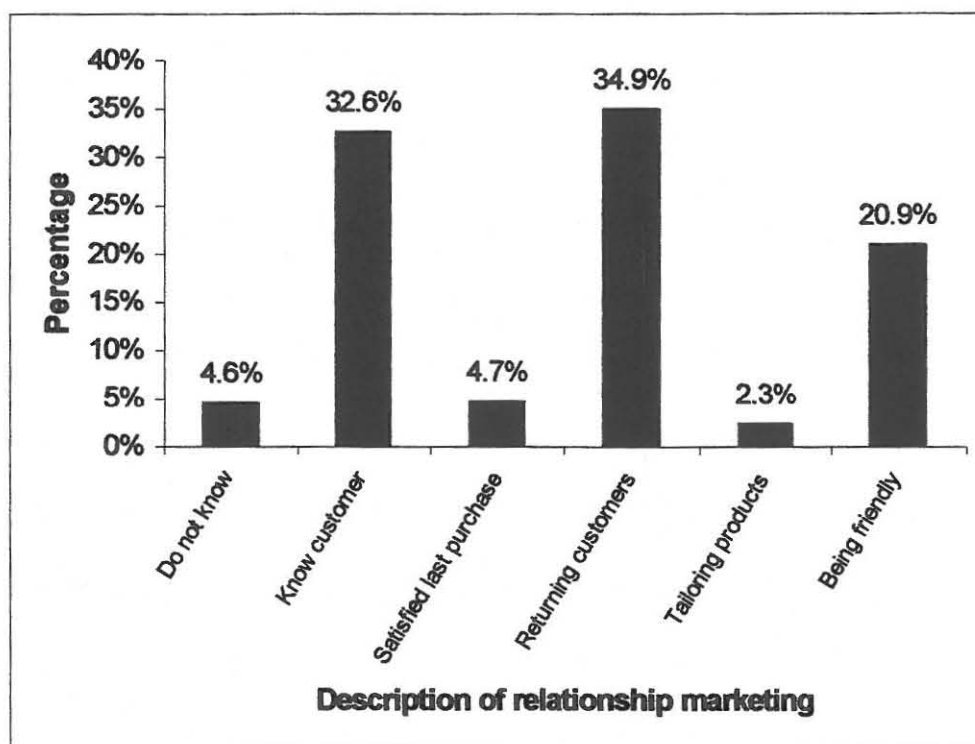
6.3.4 Relationship Marketing

Relationship marketing is a process with the objective of transforming new customers into regular advocates for the business. The objective of this section was to determine if the local retail businesses know what relationship marketing entails and if they employ relationship marketing strategies in their businesses.

6.3.4.1 Description of relationship marketing

It was crucial to determine if respondents could describe relationship marketing and understand the meaning thereof, in order to apply relationship marketing strategies within their businesses. The results are shown in graph 6.7.

GRAPH 6.7 : DESCRIPTION OF RELATIONSHIP MARKETING



A definition of relationship marketing was developed as a basis for the research in chapter two (p. 17) as follows: *“Relationship marketing is a process with the objective of transforming new customers into regular advocates for the business.”* It was therefore important to determine if businesses are familiar with the term relationship marketing and if they really do understand the concept.

Respondents were asked to choose the description that best describes relationship marketing, with the aim to determine how they perceive this concept. As stated in graph 6.7, the aspects that most respondents feel describe relationship marketing best, were loyal customers returning to the business (34,9 percent) and knowing who the customers are (32,6 percent).

Therefore, it can be stated that 67,5 percent of the respondents describe relationship marketing as customers returning to the business and knowing who the business's customers are. It seems that most of the respondents are familiar with the term relationship marketing and what it entails. It is therefore astonishing that the aspect considered least to describe relationship marketing is tailoring your products to suit your customers needs (2,3 percent), which actually forms an important aspect of relationship building.

The nine retailers (20,9 percent) that noted "being friendly to customers" describes relationship marketing best may experience a problem. It seems that these retailers do not know the real meaning of relationship marketing. To build a relationship with customers is much more than just a smile and being helpful to them. It is important that businesses have to know their customers on an individual basis, where they live, know what they are buying and to determine if they were satisfied with their last purchase. It is important to tailor products and services to individual tastes, in order to gain long-term customers (Peppers and Rogers, 1997b:23). If businesses do not realise the importance of these aspects, it will be very difficult to build relationships with customers.

6.3.4.2 Frequency of considering important aspects when building relationships with customers

Several aspects, as mentioned in question 4.2 of the questionnaire (Appendix B), were regarded as important for building relationships with customers by various authors (Walker, *et al*, 1992:102; Peppers and Rogers, 1998:6; Grossman, 1998:5; Moreo, 1997b:14).

The respondents were asked to indicate how frequently they consider these important aspects (with regard to relationship marketing) when building relationships with customers in their retail stores. The responses are summarised in table 6.15.

TABLE 6.15 : FREQUENCY OF CONSIDERING IMPORTANT ASPECTS WHEN BUILDING RELATIONSHIPS WITH CUSTOMERS

Aspects	Always(%)	Sometimes(%)	Never(%)
Customer relations are one of the key drivers in your retail business	100,0	0,0	0,0
Building relationships with your customers, results in customer satisfaction	90,7	9,3	0,0
Perceiving it to be profitable to develop and enhance relationships with customers	90,5	9,5	0,0
Constantly strive to develop close relationships with customers	88,4	11,6	0,0
Applying relationship marketing to all your customers	78,6	21,4	0,0

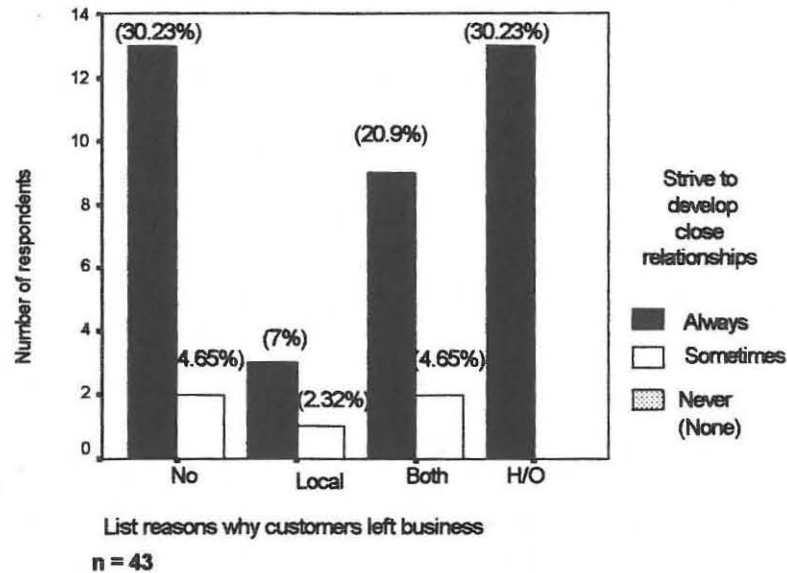
All the respondents indicated in table 6.15 that they always consider customer relations as one of the key drivers in their retail businesses.

Most respondents (90,7 percent) consider that building relationships with their customers will always result in customer satisfaction, and 90,5 percent feel that it is more profitable to develop and enhance relationships with customers. All the retailers (78,6 + 21,4 percent) indicated that they always or sometimes apply relationship marketing to their customers.

If retailers apply relationship marketing to their customers and feel that it is profitable, they should be in a position to identify their most valuable customers. This is actually not the case as only a small percentage measures their customers' life-time value (table 6.12, p. 186).

It is important that respondents should identify the reasons why customers have left the business when they are striving to develop a close relationship with their customers. Table 6.15 indicated that 88,4 percent of the respondents strive to develop close relationships with their customers, but only 9,3 percent (table 6.12) list the reasons why customers have left the business. No relationship can be developed if businesses do not know their customers.

GRAPH 6.8 : RELATIONSHIP BETWEEN RESPONDENTS WHO CONSTANTLY STRIVE TO DEVELOP CLOSE RELATIONSHIPS WITH CUSTOMERS AND REASONS WHY CUSTOMERS LEFT THE BUSINESS



From the above graph it may be derived that 34,88 percent (30,23 + 4,65 percent) of the respondents do not list the reasons why their customers left their business, but at the same time they strive to develop close relationships with their customers (always and sometimes). If retailers do not list the reasons why customers left their businesses, they would not even know if they have lost some of their most valuable customers and they will not be able to develop close relationships with them. Retailers will therefore not be able to have a customer-centered focus. It can be stated that businesses cannot retain their customers, if they do not even know that their customers have left the business.

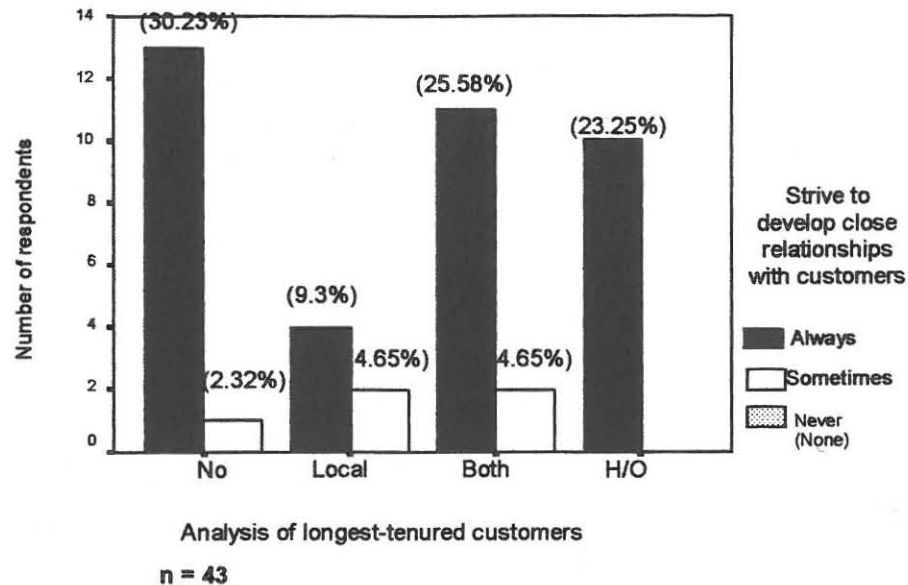
Only 9,32 percent of the local retailers indicated that they strive to develop close relationships with their customers, as well as list the reasons why their customers left

their business. Of the respondents 25,55 percent have indicated that at both levels (at the local retailer and head office) the reasons are listed why customers left the business, and that they strive to develop relationships with customers. Another 30,23 percent of the respondents indicated that their head offices always strive to develop close relationships and list the reasons why customers left the business. The fact may be emphasised here that the local retailers are supposed to have updated knowledge concerning lost customers, as they are first in contact with their customers. It will definitely be very difficult for retailers' head offices to monitor this situation.

When retailers follow a customer-centered approach whereby their businesses seek a long-term relationship with prospective and existing customers, they should have up-to-date knowledge of individual customers.

In developing close relationships with customers, retailers should know as much as possible about their customers by analysing their profiles. An example of such knowledge should include how much their customers buy, what they buy, when they buy, and their personal details.

GRAPH 6.9: RELATIONSHIP BETWEEN RESPONDENTS WHO STRIVE TO DEVELOP CLOSE RELATIONSHIPS WITH CUSTOMERS AND ANALYSIS OF THE LONGEST-TENURED CUSTOMERS



This graph revealed that only 13,95 percent (4,65 + 9,3 percent) of the local retailers replied that they strive to develop close relationships with their customers, as well as analyse their businesses' longest-tenured customers.

It has been derived that 30,23 percent (25,58 percent + 4,65 percent) of the respondents strive to develop close relationships with customers and analyse their businesses' longest-tenured customers at both the local level and at head office. Some of the respondents (23,25 percent) indicated that only their head offices always strive to develop close relationships with customers, as well as make an analysis of the longest-tenured customers. Only 13,95 percent (9,3 + 4,65 percent) of local retailers strive to develop close relationships and analyse their longest-tenured customers.

Although 32,55 percent (30,23 percent + 2,32 percent) of the respondents indicated that they strive to develop a close relationship with customers, they do not make an analysis of their longest-tenured customers. They may experience serious problems to develop close relationships with their customers, because of the lack of information. Retailers cannot build relationships with customers if they do not analyse their longest-tenured customers, because these customers might be the most valuable customers of the business.

Although a large percentage of respondents indicated that they strive to develop close relationships with customers, as well as analyse the longest-tenured customers at the head office, it is the local retailer, who is usually the first contact with the customer. The fact may be stressed here again that the head office has no direct contact with customers and will therefore not be able to develop close relationships with customers. The local retailer is supposed to use all the necessary information about his/her most valuable customers to build close relationships with them. The concern may be stressed that the head offices of the retailers do not have direct contact with customers and therefore the information is not suitable to develop close relationships at a local level.

Retailers would not be able to identify the most valuable customers in order to build relationships, if no analysis is being made on the business' longest-tenured customers.

6.3.4.3 Important factors in building relationships with customers

The respondents were asked to indicate the importance of several aspects when building a relationship with customers. Aspects such as responding quickly to customers' requests, delivering high quality service, solving customers' problems, interaction with customers, a wide variety of products and services, designing fashionable products, and promoting habitual purchases by customers play an important role in building relationships with customers as stipulated by Christopher, *et al*, (1991:22); Grossman, (1998:4); Peppers and Rogers, (1998:6).

Table 6.16 revealed that almost all the respondents regard the relationship building aspects, as mentioned in the above paragraph, as either very important or important.

TABLE 6.16 : THE IMPORTANCE OF FACTORS TO CONSIDER WHEN BUILDING RELATIONSHIPS WITH CUSTOMERS

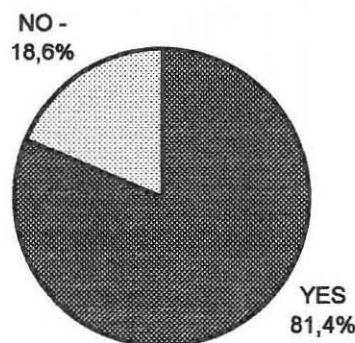
Aspects	Very important (%)	Important (%)	Unimportant (%)
Responding quickly to customer requests	95,3	4,7	0,0
High service levels	95,3	4,7	0,0
Creating solutions for customers	92,9	7,1	0,0
Regular contact and interaction with customers	88,4	11,6	0,0
Expanding merchandise mix	83,3	16,7	0,0
Designing fashionable products / stores	71,4	28,6	0,0
Promoting habitual purchases by customers	63,4	36,6	0,0

The respondents sketch a very positive picture concerning their relationships with their customers. The results of the responses discussed in paragraph 6.3.4.5 will reveal that respondents actually do not employ customer relationship strategies.

6.3.4.4 Pursuing a one-to-one relationship with customers

It was attempted here to determine if the retailers are pursuing a relationship with their customers. The respondents were asked to indicate if they actively pursue a one-to-one relationship with customers. The results are shown in figure 6.2.

FIGURE 6.2 : PURSUING A ONE-TO-ONE RELATIONSHIP WITH CUSTOMERS



A large percentage of the respondents (81,4 percent) indicated that they actively pursue a one-to-one relationship with their customers, while 18,6 percent replied negatively. Although almost all the respondents indicated that they are pursuing a one-to-one relationship with their customers, the results in graphs 6.8 and 6.9 revealed the contrary. In these graphs it has been stated that a large percentage of respondents do

not list the reasons why customers left their businesses and do not make an analysis of their longest-tenured customers.

In order to build close relationships with customers, it is essential that retailers should address these aspects. When building close relationships with customers it is important that retailers should have thorough knowledge of their customers.

The purpose of the survey was to determine if the respondents do employ customer retention activities with the aid of a relationship marketing strategy. It was necessary to determine if the respondents really employ the components of a relationship marketing strategy or are they just of the opinion that they employ such a strategy.

6.3.4.5 *Components of a relationship marketing strategy*

There are numerous components which contribute to the employment of a relationship marketing strategy, such as identifying the customer, differentiating each customer, interacting with each customer and to customise products and services to each customer's needs (Peppers and Rogers, 1999a:151).

The respondents who replied that they pursue a one-to-one relationship with their customers were then asked to indicate if they apply the components of a relationship marketing strategy. The results are summarised in table 6.17.

TABLE 6.17 : COMPONENTS OF A RELATIONSHIP MARKETING STRATEGY

Components	Not applied (%)	Applied		
		Local(%)	Head office(%)	Both(%)
Identifies customer personally	23,3	46,5	25,6	4,6
Interacts with customers	25,6	39,5	25,6	9,3
Empowers employees	32,6	37,2	25,6	4,6
Rewards for employees	32,6	37,2	18,6	11,6
Proactively communicates with customers	25,6	30,2	39,5	4,7
Customise your products and services	18,6	30,2	37,2	14,0
Differentiates between customers	34,9	25,6	27,9	11,6
Executes research projects	25,6	20,9	30,2	23,3

As revealed from table 6.17, only a small percentage of the retailers employ the relationship marketing components locally. As mentioned before, the retailers locally are the first contact with customers and are the first to identify the most valuable customers, which are important in the relationship building process. Businesses definitely cannot build relationships with customers, if they do not have that close contact with them. Some retailers (table 6.17) indicated that the relationship marketing strategy is initiated and controlled from their head offices. The problem may be stressed again that head offices do not have that close contact with customers such as the local retailers, and therefore it is difficult for the head offices to execute a one-to-one relationship with the customers.

Another aspect that has been revealed in table 6.17 is that a very small percentage of the respondents (25,6 percent) differentiate between their customers on a local level. Customers differ from one another and it will not be possible for businesses to

customise their products and services to their customers' needs, if they do not differentiate amongst them (Peppers and Rogers, 1998;6).

Table 6.17 indicated that 32,6 percent of retail businesses do not empower their employees to make decisions in favour of customers. This may impede the process of becoming more customer-focused and delivering a quicker response to customer needs. Employees play an important role in this relationship building process, as indicated in paragraph 3.9.1.4.3 (p.75). For employees to become committed to satisfy customers' needs, businesses need to empower their employees. Empowerment means encouraging and rewarding employees to exercise initiative and imagination, regarding the delivery of good quality customer service.

Some respondents (32,6 percent) indicated that they do not reward their employees for developing relationships with customers. If employees are not rewarded in some way they will definitely not be motivated to be customer-focused.

Due to the fact that only 46,5 percent of the retailers identify their customers personally, a large number of businesses will not have lasting relationships with their customers.

Although a large percentage (81,4 percent - figure 6.2) indicated that they are pursuing a one-to-one relationship with their customers, it may be stated here that the retailers do not really employ a relationship marketing strategy with their customers. This may be stated due to the fact, as already mentioned, that only a small percentage of the respondents identify their customers personally, empower their employees, reward their

employees, proactively communicate with customers, customise their products and services to individual tastes and differentiate between customers. All these aspects are essential for building an effective relationship marketing strategy.

6.3.4.6 Conclusion : Relationship Marketing

It may be concluded that the respondents present a very positive picture in the first part of this section, as almost all the respondents imply that they employ relationship marketing. After cross-tabulating these responses with the individual components of relationship marketing, it becomes apparent that the respondents actually think that they are employing relationship marketing, but they definitely do not. It may be contributed to the fact that a large percentage of the respondents might not understand the term relationship marketing, do not identify their customers personally, do not differentiate between their customers and do not collect information on their customers. All of these aspects are very important when building a lasting relationship with customers, because businesses need information on customers to identify them personally in order to differentiate among them and to customise their products and services to the customers' individual needs.

A very small percentage of the respondents do not empower their employees to make decisions in favour of the customers when no supervisor or manager is available.

The conclusion is that the retailers will not be able to develop close relationships with their customers, because they do not know their customers and not even realise that they have left the business to buy from competitors.

6.3.5 Database Management

Database management may support the building of value-based loyalty amongst customers. Businesses may use a database to acknowledge key events in the customer's life, or to track and accommodate personal preferences. A database is an important tool when building customer relations, as it provides the retailer with useful information for communicating with customers in order to retain them and to build customer loyalty, as discussed in paragraph 4.6.5, (p.139).

Retailers indicated that they apply relationship marketing with all their customers. Due to the fact that this section may be seen as an integral part of the relationship building process, it was necessary to determine if the local retailers collect information about the customer, and how they apply this information in the relationship building process.

6.3.5.1 Collection of information

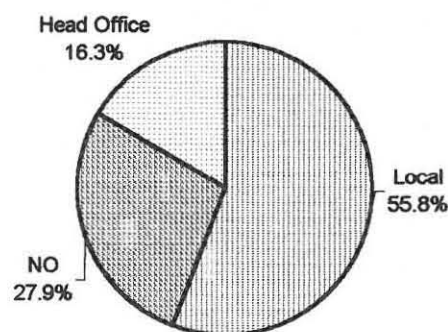
The collection of information enables businesses to measure, control, predict and implement relationship marketing strategies, as explained by Kephart (1997:1). If businesses collect information on their customers, it will enable them to identify valuable customer segments. Businesses will be able to realise the potential profit each

customer represents, by analysing customers' buying patterns with the aid of the information collected (Stone, *et al*, 1995:70).

It was necessary to determine if the respondents collect information on their customers and use it effectively in the relationship building process.

The following figure illustrates the results:

FIGURE 6.3 : COLLECTION OF INFORMATION ABOUT CUSTOMERS



It seems that 27,9 percent of the respondents do not collect information regarding their customers. Although 88,4 percent of the respondents (table 6.15) indicated that they are always striving to develop close relationships with their customers, it might not be possible to build a close relationship with customers, if no information is collected of your customers (Schoenbachler and Gordon, 1997:5).

It is necessary that local retailers have sufficient and immediate access to the business' database, as it will enable the personnel to recognise the customer at every contact point and at every location (Direct Marketing Unit of the South African Post Office, 1995:21).

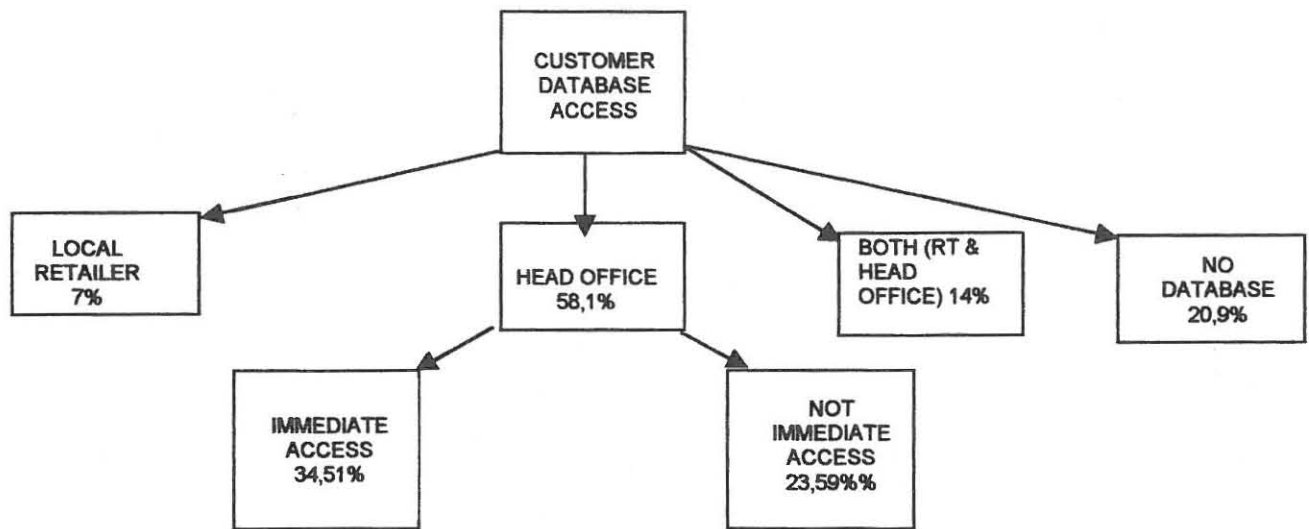
Therefore it is important to determine how accessible the databases at head offices are to retailers.

6.3.5.3 Accessibility of database at the head offices

Respondents were asked to indicate the accessibility of the database situated at their head offices. All local retailers should have immediate access to their customers' database. The essence and benefits of using a database has already been discussed in chapter 4, paragraph 4.6.7, p. 147.

It may be stated again that only 21 percent of the local retailers (paragraph 6.3.5.2) have direct and immediate access to a database. It is however important to determine if the respondents whose databases are situated at their head offices (58,1 percent) have to some extent access to their head offices' databases.

FIGURE 6.5: ACCESSIBILITY TO CUSTOMER DATABASE



The respondents who indicated that customer information is processed only at their head office (figure 6.4), were asked to indicate if they have immediate access to the latter's database. The results revealed that only 34,51 percent of these respondents have immediate access to the database **situated at their head offices**. Therefore it may be said that only 55,51 percent of the retailers [34,51 + 21 percent (14+7 percent)] do have immediate access to a database, situated locally or at the head office. Twenty-three comma five nine percent of the respondents indicated that they do not have immediate access.

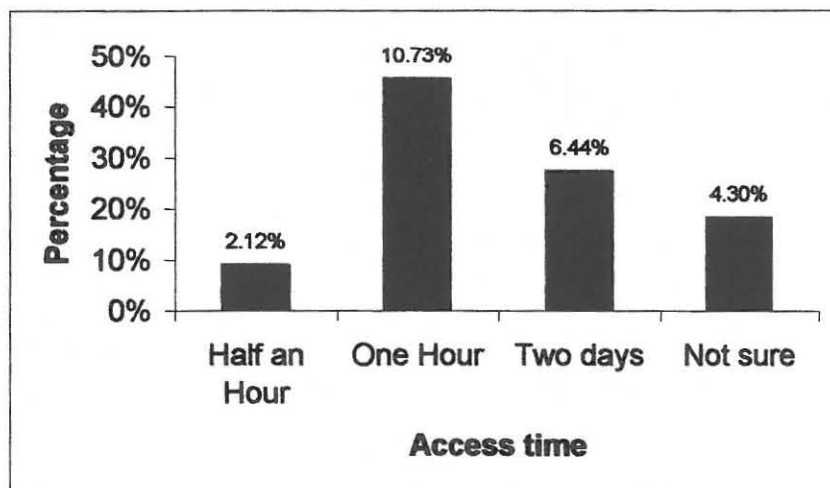
It may then be stated that only half of the respondents that have access to customers' information will be able to serve customers, deliver good quality service and build strong relationships with customers, if that information has a profile of the local customer. Access to information is essential because it enables the retailers to learn more about the customer, in order to build lasting relationships with them (Poulos, 1997:46).

Therefore those retailers with no immediate access or who experience difficulty in accessing their customers' database will definitely not be able to build effective relationships with their customers.

6.3.5.3.1 *Database access time*

The remainder of the respondents (23,59 percent), who do not have immediate access, were asked to indicate how long it takes to get access to their customer data. The results are illustrated in graph 6.10:

GRAPH 6.10 : ACCESS TIME TO THE CUSTOMER DATABASE



***This graph is applicable to the 23,59 percent of respondents who do not have immediate access**

From the remainder of the respondents (23,59 percent) who do not have immediate access to the database, almost half of the respondents ($2,12 + 10,73 = 12,85$ percent) indicated that they might obtain the required information from the database within half an hour and one hour respectively. As indicated in the above graph 6,44 percent of the

TABLE 6.18 : METHODS USED FOR STORING INFORMATION

Methods	Respondents (%)
Centralised computerised system	44,2
Direct input on the computer	9,3
Other (own banking, home shopping, and personal book)	9,3
No method used to store information	44,2

n>100% : Respondents could indicate more than one

It has been indicated that only 44,2 percent of the respondents use a centralised computerised system. This 44,2 percent of the local retailers also have not indicated if they use any method to store information regarding their customers. A centralised computerised system enables the business to have better control over its customer information and provides a central point from where new information may be updated and extracted from (Stone and Woodcock, 1996:109).

It already becomes evident in the previous paragraphs that most retailers have a centralised computerised system, and that 68,36 percent of the respondents (p. 218) have immediate access to the database. Therefore it may be said that these retailers will be able to build relationships with customers, as they will be able to extract information from their databases, if the information contains a profile of the local customer. The respondents without access to the customer database will experience problems in retaining their customers. Customers differ from one another and businesses have to customise their products and services to each individual for lasting relationships (Pitta, 1998:6).

6.3.5.5 Type of information collected for the customer database

The respondents were asked to indicate the type of information they collect for the customer database.

TABLE 6.19 : TYPE OF INFORMATION COLLECTED FOR THE CUSTOMER DATABASE

Information collected	Yes(%)	No(%)
Purchasing history of individual customers	37,2	62,8
Products sold to a specific customer	37,2	62,8
Individual customer's speed of payment	25,6	74,4
Reasons of the customer as to why they purchase your business' products	25,6	74,4
Promotional material sent to customers	25,6	74,4
Transaction data only	23,3	76,7
Lifestyle and family details	18,6	81,4
Individual customer lifetime value	16,3	83,7
Other (eg. Birthdays)	4,7	95,3

A small percentage of the respondents (37,2 percent) indicated that they mostly collect information concerning the purchasing history of individual customers and the products sold to a specific customer. Very few respondents collect information on their customers' lifestyle, family details and their lifetime value. Although 55,51 percent of the respondents do have immediate access to a customer database (see paragraph 6.3.5.3, p. 216), a large percentage of the respondents do not actually collect sufficient information on their customers in order to build relationships with them.

Lifestyle and family details can be very useful in learning more about customers' preferences and likings. The lifetime value represents how much that customer spends with a specific business over his/her lifetime, and by this it means that businesses may

determine who are their most valuable customers. Although the retailers have access to their businesses' databases, it is alarming to notice that the most important information needed for the relationship building process is gathered by only a small percentage of the respondents as indicated in table 6.20.

On p.139 it was discussed that a database may be a very useful tool to retain customers and build customer loyalty.

6.3.5.6 Reasons for using a database

Respondents were asked to state the reasons why their stores are using a customer database. The following reasons were selected:

TABLE 6.20 : REASONS FOR USING A DATABASE

Reasons	Yes(%)	No(%)
Developing products / services to suit customers' needs	41,9	58,1
Identifying the target market	39,5	60,5
Developing customer profiles	39,5	60,5
Cross-selling to customers	27,9	72,1
Enhancing consumers' repetitive purchasing	20,9	79,1

Only 41,9 percent of the respondents use a customer database in order to develop products and services to suit customers' needs, and only 39,5 percent use a customer database to identify the target market and to develop customer profiles.

To build customer loyalty, it is essential that businesses know their customers in as much detail as possible, because it will help them to focus their efforts to gain most

advantage from the most valuable and loyal customers (Peppers and Rogers, 1999b:151). It may be seen clearly that the respondents definitely do not have that in mind, when collecting information on their customers.

6.3.5.7 Conclusion : Database

As discussed in this section a large percentage of the local retailers do collect information on their customers and have access to the customer database. The retailers should therefore be able to know if there are any changes in the market, and should use the customer database at a local level efficiently and effectively in order to build relationships. Only a small percentage of respondents gathered information that is really important in the relationship building process. Few respondents indicated that they use a customer database to customise products and services to customers' individual needs and to identify their target markets. Therefore no effective relationships may exist with customers if retailers do not have all the necessary information essential for relationship building.

Most of the retailers, although they do collect information on their customers, do not employ relationship marketing strategies constructively and effectively. It may be concluded that the retailers do have access to customer information, but it is not always relevant local information, which is needed to support the relationship building process. The retailers do not use the information effectively or do not know how to use the information to build effective relationships with customers.

6.4 SUMMARY

The objective of this chapter was to present the empirical results of the research project, and to indicate the current state of retail businesses' customer retention activities in the Bloemfontein area, with a questionnaire, which was completed by means of telephonic contacts and personal visits.

It has been indicated in this chapter that the retailers offer high customer service standards and that they feel that by providing these high standards, they are pursuing relationship marketing in their businesses. It however becomes apparent that although almost all the retailers indicated that they are pursuing a one-to-one relationship with their customers, the national food- and clothing retail businesses in the Bloemfontein area do not employ relationship marketing strategies effectively as mentioned under each conclusion stated in this chapter.

The conclusions and recommendations, as well as areas for further research will be discussed in chapter seven.

CHAPTER 7

OVERALL CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This research project firstly, with the aid of a literature study, gave an overview of relationship marketing. Thereafter an investigation of National Food- and Clothing retail chain businesses' customer retention activities in the Bloemfontein area was conducted. In this chapter the overall conclusion and recommendations regarding retail businesses' customer retention strategies, with reference to the results of the empirical study (chapter 6), will be explained.

7.2 OVERALL CONCLUSION

After analysing and interpreting the empirical results of this survey, the researcher has recognised that a considerable number of imperfections do exist. The most important conclusions as derived from the study, have already been discussed in the previous chapter, and may be summarised as follows:

7.2.1 Predominant functional area of respondents

Although a large percentage of the respondents replied that their job titles are that of a manager, only 46,5 percent indicated that their predominant functional activities are that of general management. It is a concern to see that only 27,9 percent of the respondents' predominant functional areas include customer service relations. Customer relations is one of the most important aspects to be considered by the management of retail businesses (Payne, 1994:1). Therefore it can be stated that the small percentage of the respondents, whose predominant function is customer relations, is not in line with the importance of the function.

7.2.2 Customer Service

A very positive picture regarding customer service being delivered by retailers has been sketched. Almost all the respondents indicated that they measure customer expectations and satisfaction, and most of the customer service standards receive a high rating. In spite of the above, a few aspects have been identified that may impede the relationship building process with customers.

Only a few respondents focus on paying individual and personal attention to each customer and communicating prices and invoicing procedures clearly and concisely to them. It has also been revealed that not all the respondents reward

their staff for excellent customer service delivery. In order to deliver good quality customer service, to be customer-focused and committed to build relationships with customers, it is important that employees have to receive some compensation to be continuously motivated.

A very small percentage of the respondents offer customised customer services, such as free alterations, free delivery, fashion hotlines, free gift wrapping and free shoe repairs. No relationship will be developed between a retailer and its customers, if businesses do not customise their products and services to the individual needs of customers.

As mentioned in Chapter 6, only a small percentage of the retailers (those who measure customer expectations – Table 6.8) use several instruments to measure customer expectations. Retailers might not receive a true measurement of what their customers expect from their businesses if only a few instruments are used to determine customers' expectations.

A very small percentage of the respondents indicated that they do not measure customer satisfaction. These respondents will not be able to build effective relationships with customers and they should give urgent attention to this aspect of customer service (as 100 percent of the respondents indicated that they regard customer relations as one of the key drivers in their retail businesses – table 6.15, p. 201).

Another problem that can be experienced by the retailers (54 percent), who use only a few instruments to measure their customers' satisfaction, is that they will not be able to meet their customers' immediate needs and ensure that their customers remain satisfied.

7.2.3 Customer Loyalty

As concluded in Chapter 6, the respondents do not effectively focus on building customer loyalty. This conclusion may be stated according to the fact that most of the local retailers do not list their customers' characteristics in order to differentiate amongst them, do not draw profiles of customers who have left the business, and very few respondents calculate their customers' life-time value. Therefore it seems that the respondents do not know their customers and do not attempt to transform their customers into loyal buyers.

A large percentage of the respondents remarked that they use loyalty schemes, but it seems that they do not use loyalty schemes for the right purposes. Only a very small percentage of the respondents indicated that they use loyalty schemes to generate customer information and to gain a competitive edge. It seems that the respondents do not regard loyalty schemes as an important tool to retain, build and reinforce relationships with customers.

The information that is collected with a loyalty scheme may be used to customise products and services to individual needs and preferences, and may be a helpful tool to be competitive - to provide something of value to customers in order to retain them (Stone, 1994:37).

It seems that it is mainly the retailers' head offices that focus on retaining existing customers and communicating with them. Local retailers are in direct contact with customers and need to have sufficient information regarding customers in order to build relationships with them. In this section it becomes apparent that not all the respondents have customer retention strategies in place, and even those that employ them, do not use them effectively to retain customers for future business.

7.2.4 Relationship Marketing

Almost all the respondents imply that they employ relationship marketing as seen in table 6.15 (p. 201) and figure 6.2 (p. 208). Therefore it may be concluded that the respondents present a very positive picture again. As these responses have been cross-tabulated with the individual components of relationship marketing, it becomes apparent that the respondents actually think that they are employing relationship marketing, which is not actually the case. The latter might be due to the fact that a large percentage of the respondents do not understand the term relationship marketing, no information has been collected of customers, they do

not identify their customers personally, and also do not differentiate between customers.

When building a lasting relationship with customers, businesses need to collect information of customers to identify them personally, in order to differentiate among them and to customise the businesses' products and services to customers' individual needs.

It has been revealed that a very small percentage of the local retailers do empower their employees to make decisions in favour of the customers, when no supervisor or manager is available.

The conclusion is that the retailers will not be able to develop close relationships with their customers, according to the fact that retailers do not know their customers, and they do not even realise that customers have left the business to buy from competitors.

7.2.5 Database Management

As discussed in this section a large percentage of the respondents collect information on their customers, but only a small percentage (21 percent) of the local retailers have information available in a local database. This may be an

indication that most retailers do not effectively rely on the local information for supporting the relationship building process with customers.

Although a large percentage of the respondents have remarked that their customer databases are situated at their head offices, it has been revealed that half of the respondents have immediate access to their customer databases. If only half of the respondents have immediate access to customers' information, the remainder with no immediate access or who experience difficulty in accessing their customers' databases, will definitely not be able to build effective relationships with their customers.

Only a small percentage of respondents gathered the most important information (such as purchasing history of customers, lifestyle and family details, and customer life-time value) needed to build relationships with customers. Very few respondents replied that they use a customer database to customise products and services to customers' individual needs and to identify their target markets.

Therefore it can be stated that most of the retailers, although they do collect information on their customers, do not employ relationship marketing strategies constructively and effectively. According to the latter statement, the retailers do not have all the important information that they need to build relationships with their customers. The retailers also do not apply the information effectively in order to build effective relationships with customers.

After analysing the results of the empirical study, and stated the above-mentioned conclusions, the researcher has come to the final and overall conclusion that the retail businesses in the Bloemfontein area do not employ customer retention activities effectively.

The researcher's conclusions are based on the following reasons that have influenced the results of this study:

1. The respondents do not understand the questions, but questionnaires were completed during interviews and questions were explained so this theory does not hold.
2. It has also become clear that the respondents do not have real knowledge of relationship marketing and how to build effective relationships with their customers.
3. The respondents do not apply formal marketing strategies, due to the fact that marketing is done randomly.

7.3 ATTAINMENT OF OBJECTIVES

The objectives as stated in chapter one (p. 7) have been attained as follows:

- Primary objective - see paragraph 7.2.4, p. 229.
- Secondary objectives - see paragraphs 7.2.2 (p. 226); 7.2.3 (p. 228); and 7.2.5 (p. 230).

The food- and clothing retailers have to tie all the links in the consumer marketing chain closer together if they wish to enhance the consumer-retailer relationship. The recommendations made are discussed in the next paragraph.

7.4 RECOMMENDATIONS

The researcher propose the following recommendations that should be incorporated in the retail industry, specifically in the Bloemfontein area, in order to build effective and lasting relationships with their customers.

7.4.1 Customer service

As most of the customer service standards receive a high rating, a few aspects have been identified that may impede the relationship building process with customers, and the following recommendations have been made accordingly:

7.4.1.1 Individual and Personal Attention

All retailers should focus on paying individual and personal attention when communicating with each customer. The retailer should get closer to customers

by involving them in the business, to the extent that the customer will determine the way the business is operating. The retailers have to listen to their customers and promote feedback by means of a fax, answer phone, free-phone, freepost, reply-paid cards or any other technique.

7.4.1.2 Customer help-line

Complaints have to be used in a positive way to measure the health of the business and to highlight areas for improvement. A properly manned help-line can be employed to improve customer service by providing operating tips or timely advice, if customers experience any problems.

Retailers may employ this customer help-line or hotline at a centralised complaint centre, to receive individual complaints. This telephone number has to be printed on packaging, account statements and advertisements, in order to make it easier for customers to contact retailers when they are dissatisfied.

The information about the caller's inquiries and complaints must be accumulated in a centralised customer database and then be sent via computer to the store manager where the problems originated. That specific retail manager has to call the complaining customer as quickly as possible to solve the customer's problems.

It is essential that retailers should also keep a list of the names and addresses of those customers who have complained over the last few years, in order to conduct a survey in future to see whether these complainers still have problems.

7.4.1.3 Provide customised services

More retailers have to provide customised services specifically tailored for individual needs of customers, such as free clothing alterations, free legal advice, no-questions money return policies, education bursaries, gift wrapping, watch-, jewellery- and sunglass repairs, fashion and food hot-line facilities. By offering these customised products and services, more value is provided to customers, which is beyond their expectations, in order to encourage loyalty.

Customisation should be part of the retail business's culture. Surveys should be conducted on a continuous basis amongst the longest-tenured customers to determine what the business can do differently to improve its products or services. Businesses have to implement the suggestions made by customers and also follow it up.

It is also important that retailers have to customise their paperwork and direct mail (personalisation) in order to save their customers' and their company's money. Customer information may be used to individualise offerings and develop regional versions of brochures. Retailers must not send the entire

brochure to customers who do not want it, and retailers should rather concentrate on specific needs and expectations of individuals in personalised communication.

7.4.1.4 Frequent, personalised, two-way communication

The local retailers should maintain an active, ongoing relationship with frequent, personalised, two-way communication by keeping the customer continuously informed. Keep the business in the minds of customers.

Businesses have to interact with customers to find out how to make the customer's specific experience with the retailer better the next time around. Interaction with a customer also enables the retailer to learn how satisfied customers are, and when retailers find out how to treat a specific customer better the next time, they actually activate the relationship building process.

Retailers may invite dialogue by printing toll-free numbers and Web site URL's on packaging, letters, brochures and account statements. Communication with customers should be personalised, addressing correspondence directly to them as a person and not to the mass audience.

When dealing with customer problems and complaints, businesses have to reply to enquiries within agreed timescales and have to keep customers informed on

the progress at all times. Retailers should also be sensitive to the customer's time and must not try to learn everything about the customer at once.

Several interaction mechanisms should be considered by the retailer in order to maintain two-way communication with the customer as follows:

7.4.1.4.1 *E-mail and electronic data interchange (EDI)*

The retailer has to determine which customers wish to be connected electronically to the business, and use this method to convey information continuously to customers concerning promotions, introducing new products or services and previews of sales.

7.4.1.4.2 *Mail*

Retail businesses have to concentrate on those customers who frequently responded to mail received from the retailer. Mail with important messages has to be sent to these customers. It is important that these mailings should be personalised and sent according to individual needs.

7.4.1.4.3 *Point of purchase*

It is important to determine what information from customers is captured at cash registers or checkout positions (if applicable). Retailers have to determine what sort of customer interactions these terminals accommodate and have to consider some modifications in order to capture as much relevant information on customers as possible to support the relationship building process.

7.4.1.4.4 *Telephones*

Telephones can be used as a follow-up service after a sale has been concluded, in order to ensure that customers are satisfied with the product and/or service having been delivered.

The method of interaction used for each customer will be driven by customers' needs and value to the business. Retailers must be aware not to over-survey and -contact customers as they are mostly already bombarded with unsolicited junk mail offers and telemarketing calls.

7.4.1.5 *Measurement of customers' expectations and satisfaction*

To be able to get a true measurement of what customers expect from retailers and to meet their immediate needs, it is important that retailers have to use a

wide variety of instruments to measure customers' expectations and -satisfaction. The more a variety of instruments are used, the better the retailer will be able to monitor customer satisfaction levels (Brown, 1997a:15)

7.4.2 Customer loyalty

The following recommendations should be considered for building customer loyalty:

7.4.2.1 Local retailers should focus more on retaining their customers

Head offices should allow their local retail branches to focus more on the retention of their customers, by means of the implementation of loyalty programmes, as they are in direct contact with them.

7.4.2.2 Listing customer's characteristics

The local retailer should know customers individually by listing their characteristics, in order to build relationships and not only for account record purposes. This information should be immediately accessible from the central and/or local database to have up-to-date information available when dealing with customer queries and complaints.

7.4.2.3 Analyse the businesses' longest-tenured customers

Businesses should gain knowledge on their longest-tenured customers, as they might be their most valuable and loyal customers. These customers have to be rewarded for their loyalty from time to time in order to keep them loyal. Examples of rewards are price discounts on regular purchases, providing customised services as mentioned in paragraph 7.3.1.3, (p. 236), bonus points accumulated for regular purchases and invitations to previews of specials.

7.4.2.4 Employing a cash card

More retailers should focus on employing a cash card for cash buyers, in order to be able to get a profile on those customers who make cash purchases, and not only from those customers who buy on credit.

7.4.2.5 Analyse all customers' profiles

The local retailers should monitor the customer database continuously in order to know if customers are still active. If not active, businesses have to communicate with these customers by means of personalised calls or letters to list the reasons why they have left. This is important in order to rectify mistakes having been made, in an attempt to retain these customers. It is also important to analyse

these customers' profiles, to determine if they were part of the more valuable customers with whom the business can build a relationship.

7.4.2.6 Measure customers' life-time value

It is also essential for the local retailers to have a customer database readily available to measure their customers' life-time value (how much they spend, when they buy, and what they buy). This will enable the retailer to identify the most valuable customers with whom the retailer may build effective and lasting relationships. Once retailers know what and when people buy from them, they will be able to develop individualised offerings specific to their buying habits and interests.

If the local retailers learn to know their customers, it will be easier for them to transform their customers into regular and satisfied buyers, which form an essential part of the relationship building process.

7.4.3 Relationship Marketing

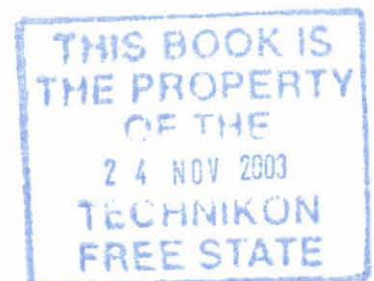
The following recommendations are made for building relationships with customers:

7.4.3.1 Empower employees

Employees also play an important role in this relationship building process (Peppers and Rogers, 1998:6). For employees to become committed to satisfy customers' needs, businesses need to empower their employees, for example to allow them to suggest their own solutions to service problems, and to provide solutions to solve these problems creatively and effectively. Employees can also be empowered by job involvement, by allowing them to examine the content of their own job and to define their role within the business (Hoffman & Bateson, 1997:247). Empowerment means that employees exercise initiative and imagination regarding the delivery of good quality customer service (Payne, *et al*, 1997:139).

7.4.3.2 Reward employees

For retailers' employees to become committed and motivated to be customer-focused, it is essential that they should be rewarded for delivering excellent customer service. Rewards may take the form of a financial bonus, salary increase, extra commission, a competition prize (eg. a trip abroad), promotion and recognition.



7.4.3.3 Keep customer contact personal

Customer contact should be kept personal. Businesses are dealing person-to-person and not company-to-person in order to build lasting relationships with customers. E-mail messages can be sent to customers' cell-phones to inform them about promotions and sales. Mail to customers should also be addressed to them in person.

7.4.4 Database Management

The following recommendations are suggested to manage the retailers' customer database:

7.4.4.1 Customer database should be accessible at the local retailer

Local retailers should have immediate access to their customer database, and head offices must provide direct links to the centralised database. They should also develop their own local customer database in order to learn more about their customers' buying habits and expectations. The local databases should however be integrated with the centralised database.

7.4.4.2 Monitor customer database continuously

A Customer Relations Officer can be assigned that monitor and update the customer database continuously in order to be proactive to changing customer needs and expectations.

7.4.4.3 Personalised customer information in local customer database

A local customer database will enable the retailer to use the power of personalisation as tailored services inspire loyalty. If problems exist it will be easier to deal with them immediately and to avoid mistakes in future.

The database has to give the local retailer the means to distinguish between different language groups, identity numbers, and also help the retailer to discover facts, which are directly relevant to the sale of the business' products and services (what type of products and services to offer to the specific needs of individuals).

The customers' life-time value is also important to the retailer. In order to calculate customers' life-time value, it is essential that retailers should collect the purchasing history of individual customers, the number of products sold to these customers, the frequency of purchases made, and customers' preferences (what and when they buy). This information is essential to determine which customers

are the most valuable ones for the business and with whom the retailer should build relationships.

The customer database has to enable the retailer to distinguish between its customers, as they are different from one another. Each customer should be treated differently in order to build effective relationships.

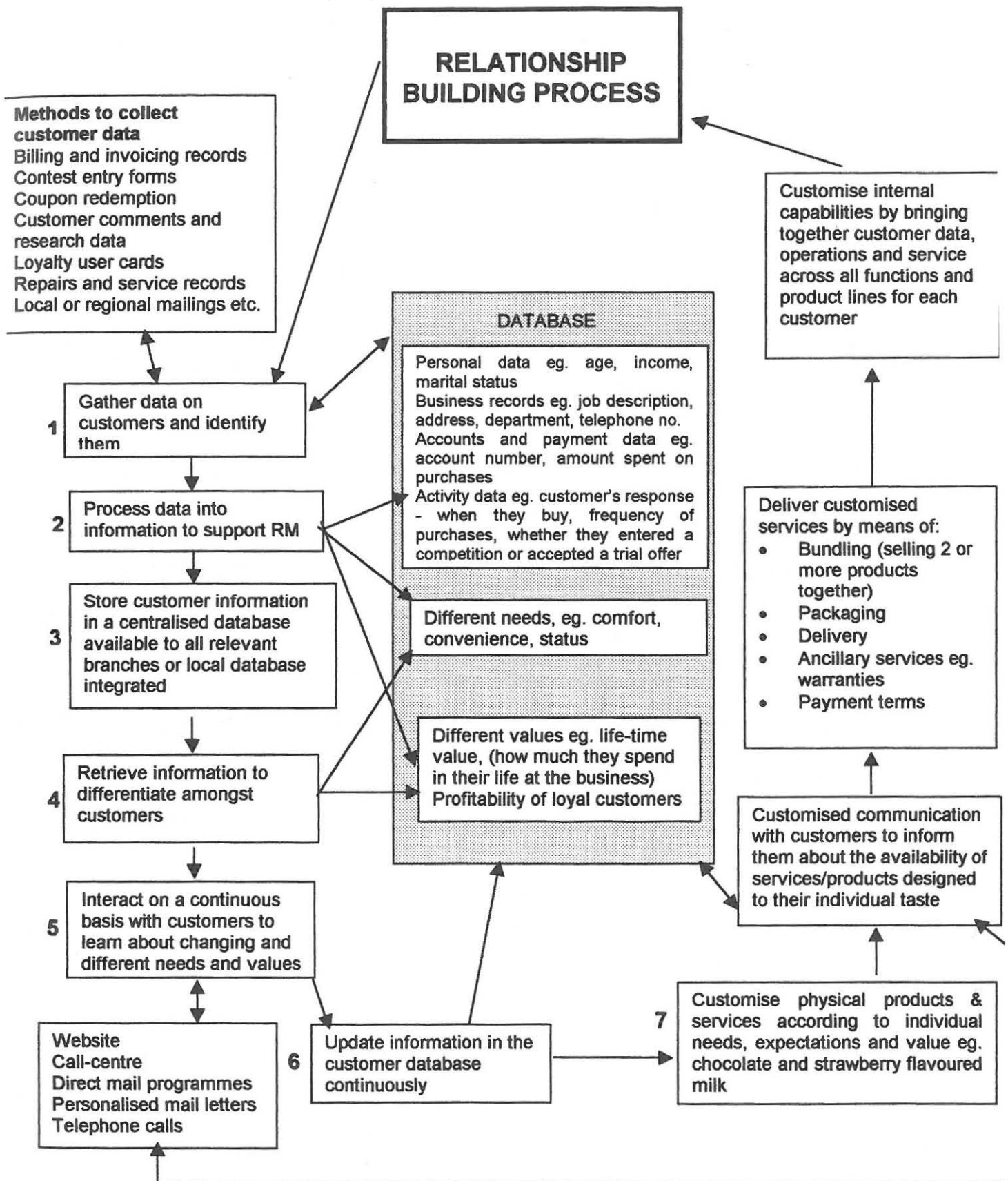
As several recommendations have been made, it can be summarised as follows:

7.5 SUMMARY : RECOMMENDATIONS

To develop relationships with customers, retail businesses should consider the implementation of a relationship marketing programme to reinforce the degree of loyalty amongst customers. All objectives and strategies of this relationship marketing programme should be based on the concept of customer acquisition and retention.

To practise this relationship-based strategy correctly, retail businesses should understand the rationale for undertaking a one-to-one initiative. The following relationship marketing strategy is proposed which retailers can use effectively, as outlined in figure 7.1.

FIGURE 7.1 : IMPLEMENTATION OF A RELATIONSHIP MARKETING (RM) STRATEGY



The recommendations as summarised in figure 7.1 are discussed accordingly:

❖ **Step 1 : Gather information on customers and identify them**

It is critical that retail businesses have to know their customers in as much detail as possible. The information should not only be names and addressable characteristics, but also habits and preferences.

Retailers have to know and recognise each customer individually and have to link the information about the customer across the entire business, throughout the duration of a customer relationship. Customer information can be gathered by the use of several instruments such as billing and invoicing records, contest entry forms, coupon redemption, customer comments and research data, loyalty user cards, repairs and service records, and local or regional mailings.

Retailers have to take inventory of all the customer-identifying information, which is immediately accessible, and continuously update customer information in databases needed for the relationship building process.

❖ **Step 2 : Process data into information to support Relationship Marketing**

It is important that the data collected on customers should be processed into usable information to support the relationship marketing process. Customer information should also be available in a centralised database, or in a local database integrated with the centralised database.

❖ **Step 3 : Store customer information**

Customer information should be stored in a centralised database, which should be immediately available to all relevant branches or should be integrated with the local database. It is important to realise that it is the local retailer that has to build relationships with customers, as they are in direct contact with customers and not their head offices.

❖ **Step 4 : Retrieve information to differentiate amongst customers**

Local retailers must be able to retrieve customer information, as they need it to differentiate amongst their customers. This is essential for the relationship building process, as customers have to be treated as individuals with specific needs and expectations.

To differentiate customers, businesses have to realise that customers are different in two principal ways which is (1) customers represent different levels of value (such as life-time value - how much they spend in their life-time at the business, the profitability of loyal customers); and (2) they have different needs from the business (eg. comfort, convenience, status).

The actual, current value of a customer is equal to the net present value of all future profit from that customer, which includes the margin the business earns on future sales of individual products and services to the customer, reduced by any customer-specific servicing costs.

Customers have to be ranked according to their importance to the business. To be ranked according to importance, customers have to be categorised by their value by identifying which ones are the most valuable customers (those with the highest life-time values), the customers who show the most potential for growth (potential to increase their life-time values) and those who are below zero customers (customers who never earn enough profit to justify the expense involved in serving them).

Retailers can use their marketing research departments to gather information on their customers' different needs. If the needs of customers are identified, then a segmented-marketing programme can be developed in order to link these different needs to different types of products and services.

❖ **Step 5: Interact with customers**

It is important that businesses should engage their customers in an ongoing dialogue, which enables the retailer to learn more about customers' particular interests, needs and priorities.

Interactions can be made more efficient by driving them into more automated, cost-efficient channels. For the interaction process to be efficient, more interaction methods should be implemented and all relevant information should be gathered.

Businesses can interact via their websites, call-centres, direct mail programmes, personalised mail letters and telephone calls.

❖ **Step 6 : Update information**

It is important that retail businesses maintain an active, ongoing relationship with frequent, personalised, two-way communication, by keeping the customer informed and receiving feedback continuously. The database should therefore be updated continuously with new customer information received.

A business might put up a website, not primarily to interact with customers, but simply to attract the most valuable ones and to identify them individually.

❖ **Step 7 : Customise physical products and services**

Some aspects of the businesses's behaviour should be customised towards the customer, based on that customer's value and needs. Customisation is expensive for a business to undertake, but the business can use mass-customisation to reduce costs. Businesses can consider modularisation to customise their products and services. Products and services can be pre-produced in dozens or hundreds of "modules" for the product. Based on an individual customer's needs, the business configures the certain modules into several possible product configurations. For example, Levi's Jeans produce 5700 different jeans options for its Original Spin jeans simply by combining 227 waist/hip sizes with 25 leg sizes (Peppers and Rogers, 1999b:85).

❖ **Step 8 : Customised communication with customers**

In order to practice one-to-one marketing, the production or service-delivery end of the business should be able to treat a particular customer differently based on what that customer communicated during interaction with the sales or marketing department.

❖ **Step 9 : Deliver customised services**

As part of the customisation process, businesses can also consider related products and services to offer, such as bundling (selling two or more products together), packaging (small, lighter, multi-packs), delivery (customer's schedule, does the product arrive exactly where it's needed by customers), ancillary services (extended warranties) and payment terms (smaller payments, longer terms).

❖ **Step 10 : Customise internal capabilities**

For the customisation process to be effectively implemented, it is essential that the business's internal capabilities should be customised by bringing customer data, operations and service together across all functions and product lines for each customer (systems approach). This actually means that all departments of the business have to work closely and automatically together, sharing customer-specific information at every point in the production and service-delivery process.

The above-mentioned form the basic components of a relationship marketing strategy, and can be used as a kind of general checklist to guide businesses in their efforts when implementing a relationship marketing programme. The retailer should be aware of the customer relationship cycle at all times. The development of relationships with customers is dynamic, subject to changes in

consumer activities, experiences, life stages and -styles. The more a retailer can implement these above-mentioned steps, the easier it will be for the business to convert itself to a relationship marketing enterprise.

This research study has highlighted the necessity for future research and the suggested areas are discussed accordingly.

7.6 SUGGESTED AREAS FOR FUTURE RESEARCH

The research project has necessitated further research in the following areas:

- A study amongst customers of the local retail stores, to determine their view of services received from the local retail businesses situated in the Bloemfontein area, would give a clearer picture to the retail businesses regarding their customer relationships.
- Comparative studies can be conducted with other industries and in other regions of the country.
- An in-depth analysis of the life-time value of each retailer's customers, may be done.

- The effect of relationship marketing on the profitability of the retailer's business may also be investigated.

7.7 SUMMARY

This study investigated retail businesses' customer retention activities in the Bloemfontein area. The purpose of the study was to identify the critical factors that contribute to a successful customer-retailer relationship, and to investigate and see if businesses really implement these factors, and if they really understand relationship marketing. As already concluded in chapter 6 and in paragraph 7.2, (p. 226), retail businesses in the Bloemfontein area do not employ customer retention activities effectively.

As relationships with customers are crucial for businesses to survive, it is essential that businesses take these customer relationships seriously. Businesses are not going to prosper in the long run without good business relations (Gordon, 1998:291).

Relationship marketing has, as its concern, the dual focus of getting and keeping customers. Traditionally, much of the emphasis of marketing has been directed towards the "getting" of customers, rather than the "keeping" of them. Relationship marketing aims to close the gap.

APPENDIX A

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APPENDIX B

TRANSMITTAL LETTER AND

QUESTIONNAIRE



Vrystaat • Free State • Foreistata

**SKOOL VIR ENTREPRENEURSKAP EN
BESIGHEIDSONTWIKKELING
SCHOOL FOR ENTREPRENEURSHIP AND
BUSINESS DEVELOPMENT**

**DEPARTEMENT BEMARKING
DEPARTMENT MARKETING**

4 October 2001

Dear Sir/Madam

RELATIONSHIP MARKETING SURVEY

Relationship marketing is very important in your industry as it plays an important role in determining the success of an organisation. Where products and services are perceived by customers not to be suited to their needs, there is little chance that they will buy again from that specific business.

In order to address this issue, Ms Lorene Erwee is currently undertaking a research project to collect information on the customer retention activities employed in your organisation.

The envisaged title of the study is: "An investigation of national food- and clothing retail chain businesses' customer retention activities by employing relationship marketing strategies in the Bloemfontein area." With this in mind, please complete the attached questionnaire as accurately as possible. The questionnaire will take you about 20 minutes to complete. Where possible, please answer all questions.

Total confidentiality is guaranteed. The information from the questionnaires will only be used in a summary format. A copy of the results will be available, if requested.

Please complete this questionnaire as soon as possible and return it before **15 October 2001** or fax it to the number indicated.

Your co-operation and assistance is much appreciated.

Yours sincerely

**MS LORENE ERWEE
M-TECH MARKETING STUDENT
☎ (051) 507 3213 / 082 773 1769**

**MR JJ VD WALT
STUDY LEADER
☎ (051) 507 3222**

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oemfontein
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rkweg 1
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OEMFONTEIN
01

7 (0)51 507 3217

ks/Fax
7 (0)51 507 3133

bs/E-Mail
jwalt@tofs.ac.za



TECHNIKON FREE STATE
RESEARCH SURVEY
SEPTEMBER 2001

INSTRUCTIONS:

- * You are to choose the one response that best matches the description. There is no right or wrong answer.
- * Mark the response that you agree with, with an "x". If you do not get a suitable statement, respond by filling in your response next to "Other".
- * You are welcome to direct any inquiries about the content of this questionnaire to:

Mrs CC Erwee
 Tel: 082 773 1769
 E-mail: lerwee@tofs.ac.za

SECTION 1 - COMPANY DETAILS

Where applicable, indicate with "x"

1 Name of the business: (Optional).....

2 Indicate the industry in which you operate (only one):

- 2.1 Food Retail ☐
- 2.2 Clothing Retail ☐
- 2.3 Both Food & Clothing Retail ☐

3 Job title of respondent

3.1

4 Predominant functional area of your job? (Only one)

- 4.1 Customer service / Customer relations ☐
- 4.2 Sales ☐
- 4.3 Marketing ☐
- 4.4 Other (Specify)

5 Number of employees in the LOCAL retail store? (Only one)

5.1 ☐ Less than 50 ☐ 50 - 100 ☐ 100-200 ☐ More than 200

SECTION 2 : CUSTOMER SERVICE

The quality of service can be the reason why some customers will buy from specific businesses instead of from their competitors

1 Indicate which of the following standards regarding customer service does your retail store currently have in place? (More than one may be selected)

- 1.1 Prompt and courteous response to customer complaints ☐
- 1.2 Accurate responses to customer enquiries ☐
- 1.3 Individual and personal attention to each client ☐
- 1.4 Communicating prices and invoicing procedures clearly and concisely ☐
- 1.5 Extended shopping hours ☐
- 1.6 Courteous en friendly staff ☐
- 1.7 A wide variety of merchandise available ☐
- 1.8 Good quality products ☐
- 1.9 Sufficient customer parking ☐
- 1.10 Well-trained and competent staff ☐
- 1.11 Professional appearance of staff ☐
- 1.12 Rewarding staff for good quality customer service ☐
- 1.13 No-questions-asked return policy ☐
- 1.14 Other, specify

2 Does your retail store measure the consistency of high quality customer service being delivered?

YES NO

OFFICE USE
ONLY

1
2
3

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39 40



2.3 If yes, indicate which of the following control procedures that high quality customer service is consistently delivered: (More than one may be selected)

- 2.3.1 Focus group interviews (consumer panels)
- 2.3.2 After-sales surveys
- 2.3.3 Soliciting customer complaints
- 2.3.4 Mystery shopping (trained personnel who shopped anonymously as customers)
- 2.3.5 Employees' research concerning their morale, attitudes and perceived obstacles to the provision of quality service
- 2.3.6 Providing customer care training to staff
- 2.3.7 Customer satisfaction surveys
- 2.3.8 Other (specify)

41				
42				
43				
44				
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47				
48	49	50	51	52

2.4 Does your retail store measure the expectations of customers concerning the quality of customer service?

YES	NO
-----	----

53	54
----	----

2.5 If answered "YES" in 2.4, indicate which of the following instruments are used to measure customer expectations concerning the quality of customer service delivered: (More than one may be selected):

- 2.5.1 Questionnaires
- 2.5.2 Customer service cards
- 2.5.3 Telephone surveys (Customer Hot-line)
- 2.5.4 Follow-up efforts (after-sales care)
- 2.5.5 Rate of complaints
- 2.5.6 Other (specify)

55				
56				
57				
58				
59				
60	61	62	63	64

2.6 Does your retail store measure customer satisfaction with regards to quality customer service?

YES	NO
-----	----

65	66
----	----

2.7 If answered "YES" in 2.4, indicate which of the following measurements are used to measure customer satisfaction concerning the quality of customer service delivered: (More than one may be selected):

- 2.7.1 Questionnaires
- 2.7.2 Customer service cards
- 2.7.3 Telephone surveys (Customer Hot-line)
- 2.7.4 Follow-up efforts (after-sales care)
- 2.7.5 Rate of complaints
- 2.7.6 Other (specify)

67				
68				
69				
70				
71				
72	73	74	75	76

SECTION 3: CUSTOMER LOYALTY

Customer service is as important as the product when building customer loyalty

3.1 Indicate if the following aspects are considered in your retail store: (If not applicable, indicate if these aspects are addressed by your Head Office (H/O))

(If applicable to both the local retail store and Head Office, please mark the "Both" section)

- 3.1.1 Focuses on retaining existing customers
- 3.1.2 Customers communicate with your business in the language of their choice
- 3.1.3 Measurement of customers' life-time value (how much they spend with the business over their lifetime)
- 3.1.4 Analysis of customers' profiles who have left the business
- 3.1.5 Lists the reasons why customers have left the business
- 3.1.6 Analysis of your business's oldest and longest-tenured customers
- 3.1.7 Lists your business's customers characteristics (buying patterns, demographic factors etc.) that make them different from one another

YES	BOTH	H/O

77	78	79
80	81	82
83	84	85
86	87	88
89	90	91
92	93	94
95	96	97

Question 3 follows/.....

	YES	BOTH	H/O	
3.1.8 Feels that it is less expensive to retain existing customers than to recruit new customers				98 99 100
3.1.9 Analysis of customer complaint data				101 102 103
3.2 Does your retail store use a loyalty scheme for your customers ? If not, go to Section 4	YES	NO		104 105
3.3 If yes, indicate what rewards does the loyalty scheme offer to your retail store's customers : (more than one may be selected)				
3.3.1 Loyalty card with loyalty points based on Rand value purchased				106
3.3.2 Adult & tertiary education bursaries				107
3.3.3 24 Hour telephone advisory carelines				108
3.3.4 Club magazine				109
3.3.5 Medical Rescue response				110
3.3.6 Gift vouchers				111
3.3.7 Special offers				112
3.3.8 Special previews				113
3.3.9 Lucky draws				114
3.3.10 Other (Specify)				115 116 117 118 119
4 Indicate the reasons why your retail store is running a loyalty scheme: (More than one can be selected)				
4.1 To reward loyal customers				120
4.2 To maximise the retail store profit				121
4.3 To increase the retail store sales volumes				122
4.4 To generate customer information				123
4.5 To influence customer behaviour				124
4.6 To use it to gain a competitive edge for the store				125
4.7 Other (specify)				126 127 128 129 130

SECTION 4: RELATIONSHIP MARKETING

Relationship marketing is a process with the objective of transforming new customers into regular advocates for the business

1 Relationship marketing can be best described as: (mark only one)

- 1.1 Knowing who your customers are
- 1.2 Determining if they were satisfied with their last purchase
- 1.3 Loyal customers returning back to the business
- 1.4 Tailoring products and services to individual tastes
- 1.5 Being friendly to your customers

2 In your retail store, the following aspects are considered:

- 2.1 Customer relations are one of the key drivers of your retail business
- 2.2 You constantly strive to develop close relationships with your customers
- 2.3 You apply relationship marketing to all your customers
- 2.4 Building relationships with your customers, resulting in customer satisfaction
- 2.5 You perceive it to be more profitable to develop and enhance relationships with customers

Always	Some- times	Never	
			131
			132
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			134
			135
			136 137 138
			139 140 141
			142 143 144
			145 146 147
			148 149 150

**4.3 Indicate the importance of the following aspects to store when building a relationship with customers:**

- 4.3.1 Regular contact and interaction with customers
 4.3.2 Promoting habitual purchases by customers
 4.3.3 Responding quickly to customer requests
 4.3.4 Designing fashionable products/stores
 4.3.5 High service levels
 4.3.6 Expanding your merchandising mix
 4.3.7 Creating solutions for customers

Very impor- tant	Impor- tant	Unim- portant

151	152	153
154	155	156
157	158	159
160	161	162
163	164	165
166	167	168
169	170	171

- 4.4 Are you actively pursuing a one-to-one relationship with customers?

YES	NO
-----	----

172	173
-----	-----

If not, go to Section 5

- 4.5 Indicate if the following aspects are addressed by your retail store when building a one-to-one relationship with your customers:

(If not applicable, indicate also if these aspects are addressed by your Head Office (H/O))

(If applicable to both the local retail store and Head Office, please mark the "Both" section)

- 4.5.1 Identifies your customers personally
 4.5.2 Proactively communicates with your customers
 4.5.3 Differentiates between customers in order to focus on efforts to gain advantage with the most valuable customers.
 4.5.4 Interacts with customers as a fundamental step when practising relationship marketing
 4.5.5 Customizes your products and services based on what you know about your customers
 4.5.6 Executes research projects to establish the needs of potential customers
 4.5.7 Empowers employees to make decisions in favour of the customer
 4.5.8 Links rewards for employees with customer-centric behaviour

YES	BOTH	H/O

174	175	176
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177	178	179
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SECTION 5 : DATABASE MARKETING

To build value-based loyalty, businesses can use a database to acknowledge key events in the customer's life, or to track and accommodate personal preferences

- 1 Does your retail store collect information about the customer?
 (If not applicable, indicate also if this is been done by your Head Office (H/O))

YES	NO	H/O

198	199	200
-----	-----	-----

- 2 Where is the business's database situated?

RT STORE	H/O	BOTH

201	202	203
-----	-----	-----

- 3 If the customer information is processed into your Head Office's database, does your retail store have immediate access to it?

YES	NO

204	205
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- 4 If no in 5.3, how long does it take to get access to your customer data?

- 4.1 One hour
 4.2 One day
 4.3 Two days
 4.4 Other (Specify)

206				
207				
208				
209	210	211	212	213



IF THE FOLLOWING INFORMATION IS ONLY AVAILABLE
SEND THE QUESTIONNAIRE BACK

OFFICE - PLEASE

5. Indicate the methodology used for storing information regarding your customers:
(More than one may be selected)

- 5.1 Note cards ☐
- 5.2 Centralised manual information system ☐
- 5.3 Direct input on the computer ☐
- 5.4 A local computerised system ☐
- 5.5 A centralised computerised system ☐
- 5.6 Other (Specify)

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219	220	221	222	223

6. Indicate which of the following information is collected for the customer database:
(More than one may be selected)

- 6.1 Purchasing history of individual customers ☐
- 6.2 Individual customer lifetime value ☐
- 6.3 Products sold to a specific customer ☐
- 6.4 Individual customer's speed of payment ☐
- 6.5 Lifestyle and family details ☐
- 6.6 Reasons of the customer as to why they purchase your business' products ☐
- 6.7 Promotional material sent to customers ☐
- 6.8 Customer complaints and preferences ☐
- 6.9 Transaction data only ☐
- 6.10 Other (specify)

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233	234	235	236	237

7. Indicate the reasons for using a customer database by your retail store (more than one may be selected)

- 7.1 Cross-selling to customers? (Selling several products to the consumer) ☐
- 7.2 Enhancing consumers' repetitive purchasing? ☐
- 7.3 Identifying the target market? ☐
- 7.4 Developing products/services to suit customers' needs? ☐
- 7.5 Developing customer profiles? ☐
- 7.6 Other (specify)

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239				
240				
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243	244	245	246	247

THANK YOU VERY MUCH FOR YOUR CO-OPERATION AND TIME !!!

Please indicate if you want to receive a copy of the results.

YES NO

If yes, E-mail address:

Postal Address:

APPENDIX C

SUMMARY

Customer relations have gained tremendous focus around the world the past two decades. Businesses have realised that they have to follow a customer-centered approach, which means that products and services have to be tailored to individual needs to gain customers for life.

One of the main reasons why businesses lose their customers is because they do not have reliable, or any, customer retention strategies in place. Therefore it was decided, with the latter in mind, to conduct a survey to investigate retail businesses' customer retention strategies.

The primary objective of this research project was to determine if national food- and clothing retail chains, which are situated in Bloemfontein, employ customer retention strategies. Other secondary objectives were inter alia the determination of customer service standards of the retail business; the determination of retail businesses' knowledge concerning relationship marketing; and to determine if retail businesses collect information about their customers, where the data is stored, the type of data collected, and the reasons why they collect it.

The results have indicated that the retailers in the Bloemfontein area are offering high customer service standards. However it becomes apparent that although

most of the retailers indicated that they are pursuing a one-to-one relationship with their customers, it is not employed effectively.

Arising from this study various recommendations were made in order to improve the retail businesses' customer retention strategies. However, the recommendations may be valuable to all retail businesses striving towards customer retention.

The most important recommendations to the food- and clothing retail businesses also included a proposed model for relationship building implementation. Some of the recommendations made, include the gathering of information on customers and to identify them individually; the storage of customer information in a centralised database available to all relevant branches, or a centralised database that is integrated with the local database; the customisation of the products and services of the business according to individual needs, expectations, and value, and also the customisation of the business's internal capabilities, by bringing together customer data, operations, and service, across all functions and product lines for each customer.

If retailers are not going to pay attention to the above-mentioned issues as discussed, no relationships will exist with customers. In today's highly competitive environment, the importance of relationship marketing cannot be emphasised enough.

OPSOMMING

Daar is die afgelope twee dekades, regoor die hele wêreld, aansienlik op klante-verhoudings gefokus. Ondernemings het besef dat hulle 'n klant-gesentreerde benadering moet volg, wat beteken dat produkte en dienste tot individuele behoeftes aangepas moet word, om klante onbepaald te behou.

Een van die hoofredes waarom ondernemings hul klante verloor, is te wyte aan die feit dat hul nie betroubare of enige klantretensie strategieë in plek het nie. Daarom is dit noodsaaklik geag om die kleinhandelondernemings se klant-retensie-strategieë te ondersoek.

Die primêre doelwit van die navorsingsprojek was om te bepaal of nasionale voedsel- en kleding kleinhandelkettings, wat in Bloemfontein geleë is, klant retensie strategieë implementeer. Ander sekondêre doelwitte sluit onder andere in die bepaling van klantediens-standaarde van die kleinhandelonderneming; die bepaling van kleinhandelbesighede se kennis rakende verhoudingsbemarking; en om te bepaal of kleinhandelondernemings inligting rakende hul klante versamel, waar die data gestoor word, die tipe data wat versamel word, en die redes waarom dit versamel word.

Die resultate het aangetoon dat kleinhandelaars in die Bloemfontein area goeie klantediens-standaarde aanbied. Tog het dit duidelik na vore gekom dat

alhoewel meeste van die kleinhandelaars aangetoon het dat hul 'n een-tot-een verhouding met hul klante het, hulle dit nie effektief toepas nie.

Verskeie aanbevelings na aanleiding van die studie, is gemaak om die kleinhandelondernemings se klantretensie-strategieë te verbeter. Die aanbevelings kan ook waardevol wees vir alle kleinhandelondernemings wat daartoe streef om hul klante te behou.

Die belangrikste aanbevelings aan die voedsel- en kleinhandelondernemings sluit ook in 'n voorgestelde model rakende die opbou van klanteverhoudings. Sommige van die aanbevelings wat gemaak is, sluit in die versameling van inligting van klante en om hul individueel te identifiseer; die stoor van klante-inligting in 'n gesentraliseerde databasis beskikbaar vir alle relevante takke, of 'n gesentraliseerde databasis wat met die plaaslike databasis geïntegreer is; die aanpassing van produkte en dienste volgens individuele behoeftes, verwagtinge, en waardes, en ook die aanpassing van die onderneming se interne vermoëns deur klante-data, aktiwiteite, en diens, van alle funksies en produksione te kombineer vir elke klant.

Indien kleinhandelaars nie aandag aan bogenoemde aspekte gee nie, sal geen verhoudings met klante bestaan nie. Die belangrikheid van verhoudingsbepaling, in vandag se hoogs mededingende omgewing, kan nie genoeg beklemtoon word nie.